

FRANCHISE DISCLOSURE DOCUMENT



Arwa Coffee Franchising LLC,
a Texas limited liability company
~~616 Business Parkway~~
~~Richardson~~ 1300 N. Interstate 35, Suite 100
Carrollton, TX 75081-75006
(214)784-2004
franchising@arwacoffee.com
www.~~arwayemenicoffee~~arwacoffee.com

The franchise is to operate a specialty coffee shop business under the trade name “Arwa Coffee” that offers a dine-in and carry-out premium coffee shop experience, featuring signature coffee prepared in the Yemeni coffee tradition; espressos, cappuccinos, lattes, and teas flavored with our custom spices; pastries and other baked goods; and sale of branded merchandise, whole bean coffee products, and other products as we may designate from time to time, in a welcoming café-style atmosphere with distinctive interior design elements.

The total investment necessary to begin operation of a single Arwa Coffee Shop is ~~\$241,242, 800~~ to ~~\$478,609,600~~. This includes the ~~\$49,500~~45,000 to ~~\$54,500~~50,000 that must be paid to the franchisor or affiliate.

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 forms, contact Faris Almatrahi, ~~616 Business Parkway~~ Richardson, TX 75081-1300 N Interstate 35, Suite 100, Carrollton, Texas 75006, (214)784-2004 or by email at franchising@arwacoffee.com.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all 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 for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date: ~~March 18, 2024~~April 25, 2025

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
How much can I earn?	Item 19 may give you information about coffee shop sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit H.
How much will I need to invest?	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.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit F includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised coffee shops.
Will my business be the only Arwa business in my area?	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What’s it like to be an Arwa Franchise owner?	Item 20 or Exhibit H lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	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 your business is not profitable.

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 requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Texas. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Texas than in your own state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. The franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **General Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
4. **Spousal Liability.** At the Franchisor's request, your spouse must sign a document making your spouse liable for all financial obligations under the Franchise Agreement, even if your spouse has no ownership interest in the franchise. This Guarantee will place both your and your spouses' marital and personal assets (perhaps including your house) at risk if your franchise fails.

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

NOTICE REQUIRED BY THE STATE OF MICHIGAN

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 this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 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 existing at the time of the proposed transfer.

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

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

THE FACT THAT 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: Department of the Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48933, 517-335-7622.

*** NOTE: NOTWITHSTANDING PARAGRAPH (f) ABOVE, WE INTEND TO, AND YOU AGREE THAT WE AND YOU WILL, ENFORCE FULLY THE PROVISIONS OF THE ARBITRATION SECTION OF OUR AGREEMENTS. WE BELIEVE THAT PARAGRAPH (f) IS UNCONSTITUTIONAL AND CANNOT PRECLUDE US FROM ENFORCING THE ARBITRATION PROVISIONS.**

**ARWA COFFEE FRANCHISING LLC
FRANCHISE DISCLOSURE DOCUMENT**

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

This disclosure document describes Arwa Coffee franchises. In this disclosure document, the terms “we,” “us,” “our,” and “Arwa” mean Arwa Coffee Franchising LLC, the franchisor. The terms “you,” “your” and “Franchisee” mean the individual(s) or business entity (limited liability company, corporation, or partnership) that signs a franchise agreement with us. If the Franchisee is a business entity, the term “Owners” means the person(s) identified in the Franchise Agreement as owners of the Franchisee and all other persons whom we may subsequently approve to acquire an interest in the franchise. Owners holding more than a ten percent equity interest will have certain personal obligations as described in this disclosure document. If any Owner is a business entity, then the term “Owner” also includes the owners of that business entity.

The Franchisor and Any Parents, Predecessors, and Affiliates

We do not have a predecessor or parent entity.

We are a limited liability company formed under the laws of the State of Texas in November 2023. We maintain our principal business address at ~~616 Business Parkway, Richardson~~ 1300 N Interstate 35, Suite 100, Carrollton, TX 75081-75006. We have been offering Arwa Coffee franchises since February 14, 2024. We do not have any affiliates that offer franchises in any line of business. We do business only under our corporate name, and under the trade name and service mark “Arwa Coffee” and “Arwa Yemeni Coffee.” Our agents for service of process are identified in Exhibit A to this disclosure document.

We do not operate businesses of the type being franchised, however our affiliate Arwa Coffee LLC, a Texas limited liability company formed on February 8, 2022, has operated one corporate-owned location at 888 S Greenville Ave Suite 223, Richardson, TX 75081 since December 2022 and ~~is developing~~ opened a second location at 3211 Preston Road, Suite 1, Frisco, Texas 75134 ~~which is expected to open Spring 2024~~ in July 2025.

~~Our affiliate Arwa Coffee Irving, LLC, a Texas limited liability company, was formed on February 27, 2024, is currently developing a location at 7763 N MacArthur Blvd., Suite 375, Irving, Texas 75063 and anticipate this location will open in Spring 2025.~~

Our affiliate Arwa Distributors LLC, a Texas limited liability company, was formed on December 26, 2023, and provides certain goods, and proprietary and branded merchandise to our franchisees and corporate owned locations; its principal business address is ~~616 Business Parkway, Richardson, TX 75081-1300 N Interstate 35, Suite 100, Carrollton, TX 75006~~.

Our affiliate Arwa Coffee IP Holdings LLC, a Texas limited liability company was formed on December 27, 2023 and owns and has licensed us the right to use and sublicense the use of Marks associated with Arwa Coffee franchises.

Other than the above, we do not have any other affiliates which offer or sell goods or services to our franchisees, and no other parent, predecessor, and affiliates offer franchises in this or any other lines of business.

The Franchise Offered

We offer franchises for the Arwa Coffee Shop (“Coffee Shop”) using our proprietary business format and system and intellectual property (the “Franchised Business”). The Coffee Shop is a dine-in and carry-out premium coffee shop experience, featuring signature coffee prepared in the Yemeni coffee tradition; espressos, cappuccinos, and lattes, and teas flavored with our custom spices; pastries and other baked goods; and sale of branded merchandise, whole bean coffee products, and other products as we may designate from time to time, in a welcoming café-style atmosphere with distinctive interior design elements.

You will operate your according to the terms and conditions of our standard franchise agreement (“Franchise Agreement,” see Exhibit C to this disclosure document) and our operational standards, specifications, policies, and procedures, which we will communicate to you through our confidential operations manual, newsletter, and other written directives (collectively, our “Operations Manual”) as may be modified and amended from time to time. As a franchisee, you will have the right and obligation to use our proprietary business format and system (“System”) and to do business under our trademarks and service marks (“Marks”) in compliance with the franchise agreement in accordance with our system standards, which may be changed, improved and further developed from time-to-time (“Standards”). You will also receive the right and obligation to purchase equipment, food products, supplies, advertising materials, and merchandise from us, our affiliates, or our approved suppliers and the right to sell approved merchandise at retail.

Market and Competition

The general market for our Arwa Coffee is expansive and highly competitive. The coffee market is highly developed. Our customers are both residential and commercial. Sales are not seasonally dependent on the market. You will compete against national chains, regional chains, and independent owners. Some of these competitors are franchised. The coffee and food service business is also affected by changes in consumer taste, demographics, traffic patterns, and economic conditions.

Laws and Regulations

There are laws and regulations specific to the operation of a Coffee Shop depending on your market and state where you operate the franchised business. You should do your own research and retain appropriate counsel and guidance to confirm what licenses and permits you will need to operate the franchised business and how to comply with applicable laws.

The food and restaurant industry is heavily regulated. The U.S. Food and Drug Administration, the U.S. Department of Agriculture, OSHA, and state and local health departments administer and enforce laws and regulations that govern food preparation and service, and restaurant sanitation conditions. State and local agencies may inspect restaurants to ensure that they comply with these laws and regulations.

In addition, the Menu Labeling Provisions of the Patient Protection and Affordable Health Care Act require certain restaurants and retail food establishments to post caloric information on menus and menu boards and to make available additional written nutrition information to consumers upon request. State and local governments also may have their own regulations.

The Federal Clean Air Act and various implementing state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide, and particulate matters, including caps on omissions from commercial food preparation. Some areas have also adopted or are considering proposals that would regulate indoor air quality.

We require you to serve only approved products so that nutritional and allergy disclosures are accurate. Failures to serve only approved products may be governed by the FDA’s prohibition against adulterated or mislabeled food.

The payment card industry (“PCI”) Data Security Standard is the current standard of security requirements for all merchants or service providers that store, process, or transmit cardholder data. You are responsible for PCI Data Security Standard compliance as well as any federal, state, and local laws, regulations, and ordinances related to privacy matters, including data and personally identifiable information.

You alone are responsible for investigating and complying with all applicable laws and regulations, despite any information that we may give you. You should consult with a legal advisor about legal requirements that may apply to your business.

**ITEM 2
BUSINESS EXPERIENCE**

President: Director-Manager: Faris Almatrahi

Mr. Almatrahi became Manager of Arwa Coffee Franchising LLC in November ~~2022~~2023 in Richardson, Texas. Mr. Almatrahi has been employed by the United States Patent and Trademark Office (USPTO) in Alexandria, Virginia from April 2007 to present.

Director-Manager: Yazan Soofi

Mr. Soofi became Manager of Arwa Coffee Franchising LLC in November ~~2023~~2022 in Richardson, Texas. Mr. Soofi has been employed by the United States Patent and Trademark Office (USPTO) in Alexandria, Virginia from June 2012 to Present.

**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

When you sign your franchise agreement, you must pay us \$~~39,500~~35,000 as the initial franchise fee (“Initial Franchise Fee”). This fee is due when you sign the Franchise Agreement, and is immediately fully earned by us, non-refundable upon receipt, and is uniform for all franchisees that we offer through this disclosure document.

Initial Inventory

Before opening, you must purchase your Initial Inventory Package from us. The “Initial Inventory Packet” includes, among other things, the initial proprietary coffee supplies, branded paper products and merchandise necessary to open an Arwa Coffee business; and staff uniforms. The current cost of the Initial Inventory Package ranges from \$10,000 to \$15,000. This cost is non-refundable and payable in full when you submit your purchase order.

**ITEM 6
OTHER FEES**

Type of Fee ¹	Amount	Due Date	Remarks
Royalty Fee ³	5 4% of your Gross Sales ²	Monthly	See <u>Note 2</u> for the definition of “Gross Sales.” You must pay your applicable Royalty fee directly to us on or before the tenth day of each month (unless this day is a weekend or holiday, then on the business day before).
Brand Development Fee	2 1% of your Gross Sales;	Monthly	You must pay the Brand Development Fee in the same manner and time frame as the Royalty fee.
Local Marketing	1% of Gross Sales,	Monthly	We require franchisees to spend 1% of Gross Sales each month on marketing the Coffee Shop locally.
Annual Conference ⁴	Currently none (\$0)	Upon demand	<u>We anticipate holding an annual conference for our franchisees to share information and updates to the System.</u> Currently there is no fee to attend our annual conference for up to two individuals, but we reserve the right to charge up to \$500.00 per attendee. <u>1,000.00 per attendee per conference. We may require you, or any of your associates or employees, to attend an annual convention. We can collect fee without attendance.</u>
Replacement / Additional Training Fee	Currently \$350 per person per day.	Prior to attending training	If you send a manager or other employee to our training program after you open or we deem that you need additional training prior to opening, we will charge our then-current training fee.
On-Site Training Cancellation Fee	Our then-current on-site training cancellation fee, currently \$1,000 or our actual costs whichever is higher	Upon demand	May vary depending upon the type of scheduled training program and how far in advance you notify us in writing of the cancellation.
In-Person Support Fee	Our then current fee, plus our related expenses. Currently, \$400 per day.	On demand	If we provide in-person support to you in response to your request, we may charge this fee plus any out-of-pocket expenses (such as travel, lodging and meals for such persons providing onsite support).

Type of Fee ¹	Amount	Due Date	Remarks
Third Party Vendors	Currently, \$0. Pass-through of costs, plus administrative charges.	Varies	We have the right to require franchisees to use third-party vendors and suppliers that we designate. Examples can include computer support vendors, mystery shopping, and customer feedback systems. The vendors and suppliers may bill franchisees directly, or we have the right to collect payment for these vendors together plus a reasonable markup or charge for administering the payment program.
Technology Fee	Currently \$ 100 per month.	Monthly as invoiced	Technology Fee covers cost of developing, acquiring, implementing, and licensing Internet and communication technologies for the benefit franchisees and the System. This amount will be debited automatically from your bank account by ACH or other means as designated by us. The Technology Fee is subject to increase by an amount not to exceed 15% of the prior year's Technology Fee per year.
Software Subscription	Currently, \$100 <u>\$150 - \$250</u> per month	Monthly	We require you to use certain software as described in Item 11. <u>Our current Software Subscription fee covers our mobile ordering app, music subscription, and menu subscriptions.</u> You will pay any/all subscription fees directly to the software supplier, and not through us to us take advantage of any group rates provided. <u>If our cost to provide these services increases, we retain the right to proportionally increase the cost of monthly subscription services to you.</u> <u>You are responsible for all hardware, software, installation and maintenance expenses related to the software. You are solely responsible for any other hardware and equipment needed.</u>
Non-Compliance Fee	\$500 per incident plus \$250 per week until the issue has been corrected.	On demand	We may charge you \$500 if your business is not in compliance with our system specifications or the franchise agreement and you fail to correct the non-compliance after 10 days' notice. Thereafter, we may charge you \$250 per week until you correct such non-compliance event, plus all costs to maintain compliance.
Customer Rewards, and Gift Cards	Currently not implemented by us but may be implemented at a future date	As invoiced	Fees for access management of customer rewards, and/or gift card system and redemption.

Type of Fee ¹	Amount	Due Date	Remarks
Reimbursement	Amount that we spend on your behalf, plus 10% administrative fee	Within 15 days of invoice	If we pay any amount that you owe or are required to pay to a third party, you must reimburse us plus 10% administrative fee.
Late Fee	\$100 initial plus interest or the maximum rate allowed by law.	On demand	We may charge a late fee if you fail to make a required payment when due; interest will not exceed 18% APR.
Insufficient Funds Fee	\$30 (or, if such amount exceeds the maximum allowed by law, then the maximum allowed by law)	On demand	We may charge an insufficient funds fee if any payment made by you is returned because of insufficient funds in your account.
Costs of Collection or Compliance	Our actual costs	As incurred	Payable if we incur costs (including reasonable attorney fees) in attempting to collect amounts you owe to us or to your compliance with your obligations in the Franchise Agreement.
Customer Complaint Resolution	Our actual expenses	As incurred	We may take any action we deem appropriate to resolve a customer complaint about your business. If we respond to a customer complaint, we may require you to reimburse us for our expenses.
Records Audit	Our actual cost	On demand	Payable only if (i) we audit you because you have failed to submit required reports or other non-compliance issues have been identified, or (ii) the audit concludes that you under-reported gross sales by more than 3% for any 4-week period.
Special Inspection Fee	Currently \$600, plus our out-of-pocket costs	On demand	Payable only if we conduct an inspection of your business because of a governmental report, customer complaint or other customer feedback, or your default or non-compliance with any system specification.
Non-Compliance Cure Costs and Fee	Our out-of-pocket costs and internal cost allocation, plus 10%	When billed	We may cure your non-compliance on your behalf (for example, if you do not have required insurance, we may purchase insurance for you), and you will owe our costs plus a 10% administrative fee.
Transfer Fee	\$10,000 plus any broker fees, attorneys' fees, and other out-of-pocket costs we incur	When transfer occurs	Payable if you sell your business.
Renewal Fee	50% of our then current Initial Franchise Fee	On signing renewal franchise agreement	Payable if we approve your renewal request and upon signing our then current franchise agreement.

Type of Fee ¹	Amount	Due Date	Remarks
Liquidated Damages	An amount equal to royalty fees and marketing fees for the lesser of (i) 2 years or (ii) the remaining weeks of the franchise term.	On demand	Payable if we terminate your franchise agreement because of your default, or if you terminate the franchise agreement without the right to do so.
Indemnity	Our costs and losses from any legal action related to the operation of your franchise	On demand	You must indemnify and defend (with counsel reasonably acceptable to us) us and our affiliates against all losses in any action by or against us related to, or alleged to arise out of, the operation of your franchise (unless caused by our misconduct or negligence).
Prevailing Party's Legal Costs	Our attorney fees, court costs, and other expenses of a legal proceeding, if we are the prevailing party	On demand	In any legal proceeding (including arbitration), the losing party must pay the prevailing party's attorney fees, court costs and other expenses.
Unauthorized Advertising Fee	\$1,000 per occurrence	On Demand	If you use any unauthorized marketing or advertising material that is not currently approved by us, we may charge \$1,000 per occurrence for the use of such material.
Default Fee	\$1,500 per event of default plus the cost of re-inspection and the costs incurred by enforcing compliance	On Demand	If you are in default of your franchise agreement, we may charge a fee in an amount up to \$1,500, plus the cost of reinspection and the costs incurred by enforcing compliance.

NOTES:

Note 1. All fees in Item 6 are uniformly imposed and collected by us, payable to us, and are non-refundable, unless otherwise noted.

Note 2: “Gross Sales” is the total selling price of all services and products and all income of every other kind and nature related to your Coffee Shop including income related to catering operations and special events and the full value of meals provided to your bona fide employees as a benefit of their employment, whether for cash or credit and regardless of collection in the case of credit. Gross Sales is not reduced by the amount of any discounts on products or services sold to employees, family members, or other businesses you own or control or by the amount paid to, collected by, or shared with third-party food ordering and delivery systems with which we allow the Coffee Shop to do business. Gross Sales does not include (i) receipts from any public telephone, vending machine, or video games, if any, installed in your Coffee Shop, except for your share of the revenues; (ii) sales (or similar) taxes that you collect from your customers if you transmit them to the appropriate taxing authority; (iii) proceeds from isolated sales of trade fixtures that are not part of the products and services you offer and that do not have any material effect on the operation of your Coffee Shop; (iv) tips or gratuities paid directly by customers to your employees or paid to you and then turned over to these employees by you in lieu of direct tips or gratuities; or (v) returns to shippers or manufacturers. Gross Sales also does not include proceeds from the sale of gift certificates or stored value cards (all proceeds from the sale of gift certificates and stored value cards belong to us), but it does include the redemption value of gift certificates and stored value cards at the time purchases are made. You are responsible for the accurate reporting of gift certificate and stored value card sales and the corresponding impact on Gross Sales. You have until 30 days after the end of our fiscal year to notify us of any errors you

made in calculating Gross Sales as those errors relate to the reporting of gift certificate and stored value card sales. “Selling Price” is defined as the non-discounted, regular menu price. All barter and exchange transactions for which you furnish services or products in exchange for goods or services to be provided by the vendor, supplier or customer will be valued at the full retail value bartered in exchange for the good or services provided to you. Gross Sales also includes the proceeds of any business interruption insurance paid to you. Gross Sales also includes any payments you receive from vendors; chargebacks are not deducted from Gross Sales.

Note 3: We currently require you to pay Royalty Fees and other amounts due to us by pre-authorized bank draft. However, we may require an alternative payment means, method, or location at our sole discretion.

Note 4: While we currently do not require Arwa Coffee franchisees to attend an annual conference, we can require franchisees to attend one in the future.

ITEM 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Franchise Fee ¹	\$39,500 <u>\$35,000</u>	Lump sum	At Signing of Franchise Agreement	Us
Lease, Rent and Deposit (3 months) ²	\$5,000 to \$12,000	Lump sum	When lease is signed	Landlord
Leasehold Improvements ³	\$90,000 to \$250 <u>\$350,000</u>	As Arranged	As Arranged	Approved and third-party suppliers
Fixtures, Furniture and Equipment ⁴	\$50,000 to \$80 <u>\$110,000</u>	As Arranged	As Arranged	Approved and third-party suppliers
POS System <u>and other hardware</u> ⁵	\$1,500 <u>\$7,000</u>	As Arranged	As Arranged	Approved and third-party suppliers
Insurance (3 months) ⁶	\$1,200 to \$2,000	As Arranged	Prior to opening	Insurance Agents
Signage and Graphics (interior and exterior) ⁷	\$7,000	As Arranged	Before Beginning Operations	Approved and third-party suppliers
Smallware, uniforms and initial supplies ⁸	\$10,000 to \$15,000	As Arranged	As arranged	Approved and third-party suppliers
Initial Inventory ⁸	\$10,000 to \$15,000	As Arranged	As arranged	Our Affiliate or Approved third-party suppliers

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Travel Expenses ⁹	\$1,500 to \$4,000	Lump Sum	As Incurred	Airlines, hotels, restaurants
Grand Opening Advertising and Promotion	\$2,500 to \$6,000	Lump sum	As incurred	Suppliers
Architectural Blueprints/plans	\$5,000 to \$10,000	As Arranged	Before Opening	Approved and third-party suppliers
Utility Deposit	\$600	As Arranged	Before Opening	Utility Company
Government permits and licenses ¹⁰	\$500- \$1,000	As Arranged	As Incurred	Government Agencies
Legal and Accounting Fees	\$2,500 to \$5,000	As Arranged	As Arranged	Accountant or Attorney
Additional Funds (3 months) ¹¹	\$15,000 to \$30,000	As incurred	As necessary	Employees and suppliers
TOTAL	\$241,242 ,800 to \$478,609 ,600			

Note 1: This initial franchise fee does not reflect any discounts, see Item 5 for details. The amounts payable to us are non-refundable. None of the other expenditures in this table will be refundable. Neither we nor any affiliate finances any part of your initial investment.

Note 2: Our estimates in this table assume you pay one month’s rent plus a security deposit before you open for business. We expect that you will rent your location. If you choose to purchase real estate instead of renting, your costs will be significantly higher.

Note 3: Our estimates assume that your Arwa Coffee Shop is approximately 1,~~500~~800 to 3,000 square feet. Commercial real estate and construction costs vary widely, depending upon the location, design, configuration, and condition of the premises. The low figure represents the estimated cost of building space that already has appropriate utility service and hook-ups, including electrical wiring required to operate the Coffee Shop. The high figure represents the estimated cost of building out a “vanilla box” space, and includes the cost of adding or upgrading the HVAC system, electrical wiring installation sufficient for operation of a Coffee Shop, restrooms, and utilities. The estimates included in the table above do not reflect a deduction for the average allowance provided by landlords for tenant improvements and other allowances. This estimate does not include architectural fees or other fees charged by licensed professionals.

Note 4: You will be required to purchase certain types of furniture, fixtures, and equipment necessary for your Coffee Shop from our designated third-party supplier. Among other things, you will be required to purchase wall panels or wall decors, tables and chairs, espresso machines, coffee bean grinders, mixers, and rugs. Therefore, you must comply with our branding, color, and design concept of an Arwa Coffee business. Colors and designs will be selected and provided by us. Significant factors that will influence and will increase the cost of furniture, fixtures and equipment will depend on the size of your Coffee Shop. The costs listed here do not include any transportation or set up costs.

Note 5: You will be required to purchase certain types of Computer System hardware, software, and other electronic system necessary for operation of your Coffee Shop from our designated third-party supplier. Among other things you must purchase your franchise marketing operating system, CRM system, QuickBooks, sales metrics software, POS software, inventory control system, menus, and music system

including any speakers or music player. ~~See Item 11~~ This amount includes approximately \$5,500 for more details the hardware and initial set up costs for the menu screens.

Note 6: You must purchase insurance as required by state law and of the type and with minimum limits as we specify. While there is no specific approved vendor for this item, you are required to purchase from a certified accredited insurance company. See Item 8 for more information. The range shown estimates the cost of coverage for a three-month period dependent upon coverage you may have previously purchased or geographic area in which your Franchised Business will be located.

Note 7: Subject to our design and construction specifications and approval, you must purchase interior and exterior signs and displays that we designate including any illuminated signage. You are solely responsible to comply with local ordinances regarding such signage. This estimate includes other elements of brand identification within the Arwa Coffee system such as wall graphics, signage menu boards, and other display items.

Note 8: Your initial supplies are comprised of smallwares and supplies such as tea kettles, coffee pots, plates silverware, and uniforms. Your Initial Inventory will consist of proprietary merchandise and food and beverage supplies for your customers. Your on-going inventory bearing Marks must be purchased from us or from our affiliate; however, other initial and on-going inventory must conform to our specifications and must be purchased from our approved suppliers.

Note 9: See Item 11 for more information about our training program. The amounts in the chart represent the estimated out-of-pocket costs for up to five individuals to attend training.

Note 10: We anticipate costs may vary widely within jurisdiction and based on individual state requirements.

Note 11. This includes additional funds you will incur before operations begin and during the initial three months of operations. You will need these funds to pay fixed operating expenses such as payroll, additional inventory, rent, and other operating expenses. It does not include any salary or compensation for you. In compiling these estimates, we relied on our affiliate's experience in operating a similar Coffee Shop in Richardson, Texas. You should review these numbers carefully with your business advisor before purchasing an Arwa Coffee Shop franchise and understand the cost involved in this Franchised Business.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Purchases from Approved or Designated Suppliers; Purchases According to Specifications

You must purchase from our affiliate Arwa Distributors LLC all: (1) coffee beans, (2) spices, (3) proprietary ingredients, (4) coffee bags, (5) paper and plastic products, (6) beverage containers, (7) candles, (8) packaging materials, (9) shirts, (10) hats, (11) uniforms, (12) bottles, (13) in-house cups, (14) glassware products, (15) brand related merchandise, and (16) any items or products bearing our Marks. You must purchase only from us or from designated sources, as applicable, all: (1) fixtures, furniture, equipment, interior and exterior signage, graphics, decor, trade dress, and Coffee Shop design consulting services; (2) fountain and bottled beverages; (3) advertising, point-of-purchase materials, and other printed promotional and marketing materials; (4) gift certificates and stored value cards; (5) stationery, business cards, contracts, and forms; (6) insurance policies from approved carriers or brokers, to the extent permitted by law; (7) music providers; and (8) all other goods and/or services as we require. In addition to approved suppliers, we may require you to buy your allotment of food, spices, ingredients, and supplies from affiliated or third-

party distributors. Information concerning approved and designated suppliers will be communicated to you via the Operations Manual.

Other than Arwa Distributors LLC, neither we nor any affiliate is an approved supplier. Other than Arwa Distributors LLC, none of our officers owns an interest in any other privately-held supplier or a material interest in any publicly-held supplier.

You must purchase (1) the computer hardware and software and (2) uniforms, shirts, memorabilia, and all merchandise and other items intended for retail sale (whether or not bearing our Marks), (3) POS System (including related hardware and software, CRM System, Marketing Operating System, Sales Metrics Software, Inventory Control System, and Music System including any speakers or music players and any other software we may deem necessary for operation of your Coffee Shop, from us or our approved, third-party supplier. See Item 11 for more information about POS, computer hardware, and software requirements. If a designated music provider has been identified, you must acquire music from the designated provider.

If you propose to purchase from an unapproved source any items for use in your Coffee Shop for which we have identified, designated, or approved supplier(s), you must request our approval in writing. We will grant or revoke approvals of suppliers based on criteria appropriate to the situation, which may include evaluations of the supplier's capacity, quality, financial stability, reputation and reliability, inspections, product testing, and performance reviews. Our criteria for approving suppliers is not available to you. We permit you to contract with alternative suppliers who meet our criteria only if you request our approval in writing, and we grant approval. There is no fee for us to review or approve an alternate supplier. We will provide you with written notification of the approval or disapproval of any supplier you propose within 30 days after receipt of your request. If your approved is not specifically approved by us in writing, it is deemed denied. We may grant approvals of new suppliers or revoke past approvals of suppliers upon written notice to you, or by updating our Operations Manual. Upon our notice of revocation, you must immediately cease using the supplier whose approval has been revoked by us.

You may purchase items and services for which we have not identified approved suppliers from any supplier, so long as the items and services meet our specifications. These specifications may include brand requirements. If brand requirements have been identified, you may purchase and use only approved suppliers.

You are required to use the credit card or payment processing service we approve. You must accept credit cards as a method of payment at your Coffee Shop and, you must comply with payment card infrastructure ("PCI") industry and government requirements. PCI security standards are technical and operational requirements designed to protect cardholder data. The standards apply to all organizations that store, process or transmit cardholder data and cover technical and operational payment system components involving cardholder data.

Specifications and Standards

We issue specifications and Standards to you for applicable aspects of the franchise in our Operations Manual and/or in written directives. We may revise or issue new specifications and standards for any aspect of our brand system, or modify existing specifications and standards, at any time by revising our Operations Manual and/or issuing new written directives (which may be communicated to you by any method we choose). We will generally (but are not obligated to) issue new or revised specifications after testing in our headquarters, in company-owned Coffee Shops, and/or a limited market test in multiple units.

Our System includes distinctive programs, interior and exterior design, décor, color scheme, graphics, fixtures, and furnishings ("Indicia"); our proprietary products, special recipes and menu items, merchandise, and offerings which incorporate our trade secrets and proprietary information ("Proprietary Products"); proprietary ordering procedures; proprietary food and beverage preparation techniques and presentation standards; proprietary coffee beans and other food products; community and social networking

presence and protocols; standards, specifications, policies, and procedures for operations; quality and uniformity of the products and services offered; procedures for inventory, management, and financial control; training and assistance; advertising and promotional programs; and other standards, specifications, techniques, and procedures which we designate from time-to-time for developing, operating, and managing Arwa Coffee franchised businesses which may be changed, improved or further developed from time to time.

Site Selection and Lease

The typical length of time between signing the franchise agreement and the opening of your business is 180 days. Your business location is subject to our approval and must meet our specifications. You must locate your site within the site selection area as identified in the Franchise Agreement.

You must purchase or lease commercial retail space with 1,~~500~~800 to 3,000 square feet of usable space. Commercial real estate cost varies greatly depending on the geographic location of the space and whether it is a free-standing location, or located in a strip center or mall. Typical rent for a strip center location can range from \$20 to \$50 or more per square foot, depending on where the facility is located. We strongly recommend that you consult with a commercial realtor in your area to learn more about rental rates before deciding to purchase a franchise.

We do not review the terms of the lease for your Coffee Shop however we do require that your landlord acknowledge our rights as set forth in the lease rider attached as Attachment 5 to the Franchise Agreement (the "Lease Rider"). We possess the right to disapprove of a proposed lease if the landlord refuses to sign the Lease Rider. The Lease Rider grants certain rights to us, including our right to be notified in the event of a lease default and, potentially, for us to enter the location of your Coffee Shop.

The criteria that we use to evaluate a retail site include general location and neighborhood, demographics, traffic patterns, parking, size, physical characteristics of existing buildings and lease terms. If you fail to comply with your obligation to identify a site that is acceptable to us, develop, and open the franchise by the Opening Date (defined in Item 11), and unless we agree to extend the deadline in writing, you will be in default and we may terminate your franchise agreement. We are not obligated to assist you in conforming the location of your retail site to local ordinances and building codes and obtaining any required permits to operate your Coffee Shop. This will be your responsibility.

Insurance

You must obtain and maintain insurance policies protecting you and us and our affiliates as additional insureds on a primary non-contributory basis. The insurance must be underwritten by insurers licensed and admitted to write coverage in the state in which the Coffee Shop is located and with a rating of "A-" or better by the A.M. Best Company's rating guide. At a minimum, these policies must include the coverage that we require, which currently includes:

1. Coverage against direct physical loss or damage to real and personal property (including but not limited to computers, consoles, servers), including improvements and betterments, written on a special firm peril basis, including flood and earthquake, if the relevant property is situated in a flood or earthquake zone, in an amount equal to 100% of the Coffee Shop's property value;
2. Comprehensive general liability insurance, written on an occurrence basis, extended to include contractual liability, products and completed operations, and personal and advertising injury, with a combined bodily injury and property damage limit of at least \$1,000,000 per occurrence, \$2,000,000 in aggregate;
3. Statutory workers' compensation insurance and employers' liability insurance as required by the law of the state in which the Coffee Shop is located, including statutory workers' compensation limits and employers' liability limits of at least \$1,000,000;
4. Business interruption equal to 12 months of your net income and continuing expenses including royalty

fees;

5. Commercial umbrella liability insurance with total liability limit of at least \$1,000,000;
6. Cyber Insurance in the amount of at least \$1,000,000 protecting against first party and third-party claims;
7. Employer practices liability insurance with a limit of at least \$2,000,000 including actions of a third-party and a minimum of \$100,000 for wage and hour disputes; and
8. All other insurance that we require in the Operations Manual, or that is required by law, or by the lease or sublease for the Coffee Shop.

We reserve the right to require you to obtain insurance policies to protect against cybersecurity threats, and accordingly, to require that we are named as additional insured on these cybersecurity insurance policies.

You may purchase insurance from any approved vendor and you may purchase greater coverage than the amounts listed here. The policies must be written by an insurance company licensed in the state in which Franchisee operates and having at least an “A-” Rating Classification as indicated in the latest issue of A.M. Best’s Key Rating Guide. You must name us as an additional insured on any insurance policies that you purchase and furnish proof to us before beginning operation of your Coffee Shop.

Telephone Services.

You must obtain and utilize a new telephone number for the Coffee Shop through a vendor you select. If you are converting your existing coffee business to an Arwa Coffee business, you may continue to use all telephone numbers used in your prior business Services business (“Prior Business”), but we reserve the right during the term of the Franchise Agreement to require that you stop marketing all Prior Business telephone numbers and reroute such telephone numbers through the new telephone number for the Coffee Shop. From time to time, during the term of the Franchise Agreement, you must provide us with a list of all telephone numbers you use and market for the Coffee Shop upon our request. We recommend that you retain and utilize a caller analytics and recording system for the Franchise Business. We reserve the right to require you to use our branded toll-free number or call routing systems.

Revenue to Us and Our Affiliates

We and our affiliates will derive revenue from your purchases and leases when you buy products or services from us, our affiliate, or our designated suppliers. We may receive payments or material benefits from suppliers based on your purchases or leases of equipment, inventory, goods, and operating supplies used in the day-to-day operation of your Coffee Shop.

During our fiscal year ending December 31, ~~2023~~2024, neither we nor our affiliates received any revenue as result of these types of purchases or leases by franchisees.

Proportion of Required Purchases and Leases

We estimate that the required purchases and leases (meaning purchases and leases from us, our designated suppliers and purchases and leases of items our specifications) are approximately 70% to 80% of your total purchases and leases to establish your business.

We estimate that the required purchases and leases of goods and services to operate your business are 50% to 80% of your total purchases and leases of goods and services to operate your business.

Description of Purchasing Cooperatives; Purchasing Arrangements

We may negotiate purchase arrangements with primary suppliers for the benefit of franchisees. If we negotiate a purchase agreement for the region where your Coffee Shop is located, you must participate in the purchasing program. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of products or services or use of particular suppliers. You

may receive some benefits from participating in the purchasing arrangement from the supplier directly, in the form of rebates, incentives, or otherwise.

Currently, no purchasing or distribution cooperatives exist in the franchise system.

ITEM 9 FRANCHISEE’S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section(s) in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 6.1, 6.2	Item 8 and Item 11
b. Pre-opening purchase/leases	Sections 6.2, 6.3	Items 5, 7, 8 and 11
c. Site development and other pre-opening requirements	Article 6	Items 5, 7, 8 and 11
d. Initial and ongoing training	Sections 5.2, 5.4, 6.7	Items 5, 6, 8 and 11
e. Opening	Sections 6.4, 6.7, 6.8	Items 7, 8 and 11
f. Fees	Article 4, Sections 5.5, 7.8, 8.4, 11.2, 11.3, 15.2, 16.1, 17.5	Items 5, 6 and 7
g. Compliance with standards and policies/operating manual	Sections 6.3, 7.1, 7.3, 7.5, 7.9 – 7.13, 7.15, 10.1, 10.4, 11.1	Items 8, 11 and 14
h. Trademarks and proprietary information	Article 12, Section 13.1	Items 13 and 14
i. Restrictions on products/services offered	Section 7.5	Items 8, 11 and 16
j. Warranty and customer service requirements	Sections 7.3, 7.8, 7.9	Item 8
k. Territorial development and sales quotas	Section 2.2	Item 12
l. Ongoing product/service purchases	Article 8	Items 6 and 8
m. Maintenance, appearance, and remodeling requirements	Sections 3.2, 7.13, 7.14, 15.2	Items 6, 7 and 8
n. Insurance	Sections 7.18	Items 6, 7 and 8
o. Advertising	Article 9	Items 6, 7, 8 and 11
p. Indemnification	Article 16	Item 6

Obligation	Section(s) in Franchise Agreement	Disclosure Document Item
q. Owner's participation/management/staffing	Section 2.6	Items 15
r. Records and reports	Article 10	Item 11
s. Inspections and audits	Sections 10.7, 11.2	Items 6 and 11
t. Transfer	Article 15	Items 6 and 17
u. Renewal	Section 3.2	Item 17
v. Post-termination obligations	Article 13, 14.9	Item 17
w. Non-competition covenants	Section 13.2	Item 17
x. Dispute resolution	Article 17	Items 6 and 17

**ITEM 10
FINANCING**

We do not offer direct or indirect financing. We do not guarantee your note, lease, or 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 your business:

A. *Your site.* We will review and advise you regarding potential locations that you submit to us; however, you are solely responsible for determining the suitability of your chosen location after consultation with your local real estate professional. (Franchise Agreement, Section 6.1). We are not obligated to further assist you in locating a site or negotiating the purchase or lease of the site, or the buildout of improvements.

- (i) We generally do not own or lease your location.
- (ii) If your site is not already known and approved by us when you sign your franchise agreement, then we and you will specify in your franchise agreement the area in which you must select a site ("Site Selection Area") (Attachment 2 to the Franchise Agreement, Summary Page). We do not select your site on your behalf however, your site is subject to our approval. To obtain our approval, you must provide all information and documents about the site that we require.
- (iii) The factors we consider in approving sites are general location and neighborhood, competition, trade area demographics, traffic patterns, parking, size, physical characteristics of existing buildings, and lease terms. If you fail to comply with your obligation to identify a site that is acceptable to us, develop, and open the franchise by the Opening Date, defined below, and unless we agree to extend the deadline in writing, you will be in default and we may in our sole discretion terminate your franchise agreement.

- (iv) The time limit for us to approve or disapprove your proposed site is 30 days after you submit all of our required documents and information. (Franchise Agreement, Section 6.1). If we do not specifically approve your proposed site in writing, it is deemed denied. If we and you cannot agree on a site, you must select a new site for our review.
- (v) We are not obligated to assist you in conforming the location of your site to local ordinances and building codes and obtaining any required permits or certificate of occupancy. This will be your responsibility. If the Coffee Shop, occupies a space under a commercial lease, the lease must contain terms that we specify in our Lease Rider (Attachment 5 to the Franchise Agreement)

B. *Constructing, remodeling, or decorating the location.* We will provide you with a set of our standard building plans and specifications and/or standard recommended floor plans, and our specifications for required décor for sharing with your architect to conform to your site's square footage, spatial requirements, and local code requirements. (Franchise Agreement, Section 6.4)

C. *Necessary equipment, signs, fixtures, opening inventory, and supplies.* We will provide you a list of our specifications and approved suppliers for equipment, signs, fixtures, opening inventory, and supplies necessary to open your business. We do not provide these items directly; we only provide the names of approved suppliers. We do not deliver or install these items. (Franchise Agreement, Section 6.4)

D. *Operations Manual.* We will give you access to our Operations Manual (Franchise Agreement, Section 7.1).

E. *Initial Training Program.* We will conduct our initial training program. The current initial training program is described below. (Franchise Agreement, Section 5.2).

F. *Grand opening marketing.* We will advise you regarding the planning and execution of your grand opening marketing plan. (Franchise Agreement, Section 9.7)

G. *On-site opening support.* Make available to you one of our representatives for the purpose of familiarizing your staff with our techniques and for providing general assistance and guidance in connection with the opening of your Coffee Shop. (Franchise Agreement, Section 5.3)

Our Post-Opening Obligations

After you open your business:

A. *Developing products or services you will offer to your customers.* Although it is our intent and practice to refine and develop products or services that you will offer to your customers, the franchise agreement does not obligate us to do so.

B. *Hiring and training employees.* We will provide you with our suggested staffing levels, suggested guidelines for hiring employees, and operational instructions in the Operations Manual which you can use as part of training new employees. All hiring decisions, rates of pay, penalizing your employees, discipline, and conditions of employment or termination are your sole responsibility and solely in your discretion. (Franchise Agreement, Section 7.7)

C. *Brand Development Fee.* We will administer the Brand Development Fees. We will prepare an unaudited annual financial statement with all the Brand Development Fees within 120 days of the close of

our fiscal year and will provide the financial statement to you upon written request. (Franchise Agreement, Section 9.4)

Optional Assistance

A. *Business plan review.* If you request, we may review your pre-opening business plan and financial projections subject to our sole discretion (Franchise Agreement, Section 5.1).

B. *Improving and developing your business; resolving operating problems you encounter.* If we deem it necessary or if you request, we may at our discretion provide advice to you (by telephone or electronic communication) regarding improving and developing your business, and resolving operating problems you encounter, to the extent we deem reasonable. If we provide in-person support in response to your request, we may charge an In-Person Support Fee (currently \$400 per day) plus any out-of-pocket expenses (such as travel, lodging, and meals for our employees providing onsite support). (Franchise Agreement, Section 5.5(e))

C. *Establishing prices.* We may provide recommended prices for products and services. We have the right to determine prices minimum, maximum, and promotional charged by our franchisees for goods and services (but only to the extent permitted by applicable law). (Franchise Agreement, Section 7.6).

D. *Establishing and using administrative, bookkeeping, accounting, and inventory control procedures.* We may provide you our recommended procedures for administration, bookkeeping, accounting, and inventory control We may make any such procedures part of required (and not merely recommended) procedures for our system. (Franchise Agreement, Article 10).

E. *Website.* For so long as we deem advisable, we will maintain a website for the Arwa Coffee brand, which may include your business information, telephone number and other information we deem relevant. (Franchise Agreement, Section 7.26)

Length of Time to Open

For a Start Up Franchise, the typical length of time between signing the franchise agreement and the opening of your business is 180 days. Factors that may affect this process include your ability to obtain a lease, obtain financing, develop your location, obtain business permits and licenses, and hire employees. If you are converting your existing similar business to an Arwa Coffee franchised business, we estimate that you will be operational as a Coffee Shop within 30 to 60 days after signing a Franchise Agreement. When the retail site is selected and approved by us, we will mutually agree on an “Opening Date” for your Coffee Shop, but the Opening Date must be no later than 365 days from the Effective Date of your Franchise Agreement.

If you are unable or unwilling to open your Coffee Shop by the Opening Date, we are not obligated to extend your Opening Date deadline. If we receive an extension request at least 60 days prior to your scheduled Opening Date, we may in our sole discretion grant you an extension of up to 90 days. If you do not open the Coffee Shop by the Opening Date, and/or we do not receive an extension request, we may unilaterally terminate the Franchise Agreement. We are not required to refund any fees nor do you have the right to recover any fees paid to us.

Advertising

Generally. All marketing and promotion must be conducted in a professional and dignified manner and must conform to our specified standards and requirements. All marketing and promotional materials, including product identification materials, point-of-purchase promotional materials, promotion

memorabilia, and merchandise and prizes, will either be provided for you, or be made available to you for purchase through us or our affiliate.

In our discretion, we may make available to you approved marketing templates comprised of pre-approved ads, ad copy and digital media that you may utilize at your own expense. We are not required to spend any amount on your behalf on advertising in your Site Selection Area and we are not required to conduct any advertising on behalf of the franchise System or on your behalf.

Marketing and Promotions. We may create and license to you, social media accounts, e-mail marketing software accounts and other electronic accounts that use the Marks or any portion of them, used by you during the Term with any Internet directory, website, platform, or similar item in the operation of your Coffee Shop. You may not independently create websites, social media accounts, e-mail marketing software accounts or other comparable accounts outside of those that we license to you.

You will operate your Coffee Shop so that it is clearly identified and advertised as an Arwa Coffee franchise. You will use the trademark “ARWA YEMENI COFFEE” and the other Marks which now or hereafter may form a part of the System, on all signs, suppliers, business cards, uniforms, advertising materials, technology platforms, signs and other articles in the identical combination and manner as we may prescribe in writing and you will supply to us samples and photographs of the same up on our request. You will comply with all trademark, trade name, service mark and copyright notice marking requirements and you will supply to us samples or photographs upon our request.

Your own advertising material. You may use your own advertising or marketing material only with our written approval. To obtain our approval, you must submit any proposed advertising or marketing material at least 30 days prior to use. We will review your submission and respond within 14 days of receipt; however, if we do not respond, the material is deemed rejected. If you develop any advertising or marketing materials, we may use or grant another franchisee or licensee in the System to use those materials for any purpose, without any payment to you. We may revoke our consent at any time upon which you must immediately cease using such advertising materials.

Unauthorized Advertising. Once approved, Franchisee may use the materials only in connection with the media for which they were approved. Franchisor may disapprove Franchisee’s promotional or marketing materials, or the media for which they were approved, at any time, and Franchisee must discontinue using any disapproved materials or media upon receipt of Franchisor’s written notice of disapproval. Additionally, in our sole discretion, you must pay us \$1,000 per occurrence for the use of any unauthorized marketing or advertising materials. The parties agree this is a reasonable estimation of the administrative and legal costs likely to be incurred by us as a result of such unauthorized use. This fee is in addition to and not in lieu of any other remedies available to us under this Agreement or applicable law and they do not limit your indemnification obligations.

Advertising council. Currently, no advertising council has been established for the franchise system.

Brand Development Fee. You and all other franchisees must contribute to our Brand Development Fee. Your contribution is 21% of Gross Sales per month. We reserve the right to have other franchisees contribute a different amount or at a different rate. Coffee Shops that we own are not obligated to contribute to the Brand Development Fee.

It is in our sole discretion how and where the Brand Development Fee is spent to promote, enhance, or further the growth of the system, including, without limitation, the costs of maintaining, administering, directing, preparing, and producing advertising. This includes the cost associated with developing, maintaining, and updating our Website, social media pages, preparing and producing television, radio, magazine, newspaper advertising campaigns, sweepstakes and other promotions, developing and testing recipes, developing and implementing packaging designs, and point-of-sale advertising, menus, and menu boards, and other sales aids and promotional items and materials; direct mail and outdoor billboard

advertising; public relations activities; endorsement costs; employing advertising agencies, including external marketing consultants; and costs of our personnel and other departmental costs for advertising that we administer or prepare internally.

We have no obligation to spend any amount of the Brand Development Fee or any other marketing monies in your territory. We will administer the Brand Development Fee. We will not use Brand Development Fee monies for creating or placing any advertisement that is principally a solicitation for new franchisees, but may include in all advertising prepared using Brand Development Fee monies (including Internet advertising) information concerning franchise opportunities. A portion of Brand Development Fee monies may be used to create and maintain one or more pages on our website devoted to advertising franchise opportunities, identifying and screening inquiries, and applications submitted by franchise candidates. Any amounts contributed to the Brand Development Fee that are not spent in the year they are collected will continue to be used during the next year.

Upon your written request, we will provide you an annual, unaudited statement of Brand Development Fee Contributions and expenditures. We are not obligated to spend Brand Development Fees or any other marketing monies on the placement of advertising in your Designated Area or to ensure that your Coffee Shop benefits directly or on a pro rata basis from the expenditure of Brand Development Fee monies.

Because we are a new franchisor, we did not spend any money from the Brand Development Fee in our fiscal year ending December 31, ~~2023~~2024.

Grand Opening. You must develop a grand opening marketing plan and obtain our approval of the plan at least 30 days before the projected opening date of your business. You must spend a minimum of \$2,500 - \$6,000 with our designated or approved supplier as we may agree in writing, over sixty (60) days, within 30 days prior to the Opening Date and 30 days after the Opening Date of your Coffee Shop to promote your new Coffee Shop.

Local Marketing. Each month, you must spend at least 1% of your Gross Sales on advertising, promotions and public relations in the local area surrounding the Coffee Shop. You will pay for your ads and promotions directly, but we will provide you with general marketing guidelines and we will review and approve your advertisements.

Local or Regional Advertising Cooperatives

We do not currently require you to participate in any local or regional advertising cooperatives.

Point of Sale and Computer Systems. You must purchase, install, and maintain an electronic point-of-sale cash register system to record sales and transaction data (such as item ordered, price, and date of sale) that we designate for your Coffee Shop. Currently, Square is the only approved point-of-sale system (“POS System”). You will use the POS System to record sales and report sales. You must install and maintain between two and four POS Systems (depending on the size of your Coffee Shop).

You must connect the POS System to a telephone line or other communications device, such as a computer, which is capable of accessing the internet via a third-party network. We anticipate this will cost you \$2,500 to \$10,000 to purchase or lease the systems. You must sign a maintenance agreement with the manufacturer of the POS system and as well as the computer system that we designate and pay the annual service fees to the manufacturer directly. We estimate that your annual maintenance will range from \$4,800 to \$7,200. Neither we, our affiliates, nor any third parties are required to provide on-going maintenance, repairs, upgrade, or updates to your computer system.

At our request, you must install and maintain interactive multi-media equipment, devices, and facilities that we require. This may include approved surveillance systems, music systems, Wi-Fi, and other wireless

Internet and communications systems and interactive displays, including plasma or LCD screens. If a designated music provider has been identified, you must acquire music from that designated vendor.

To operate the POS System, you will need to install and maintain a laptop, computer or tablet at the Coffee Shop that has a high-speed Internet connection and is capable of running the software we require. We have the right to independently access all information and financial data recorded by the system for daily polling, audit, and sales verification. Updates or replacement of the POS System, both hardware and software, may be required from time to time. We are not obligated to provide any ongoing maintenance, repairs, upgrades, or updates. We do require that you enter into any such contract with a third party. You must upgrade or update any system when we determine. There is no contractual limitation on the frequency or cost of these obligations.

You must use only our approved supplier for the CRM system, as we may designate from time to time in our operations manual. These systems will generate or store data such as Customer Data, Phone Tracking, Inventory, Reporting.

You must give us independent access to the information that will be generated or stored in these systems. The information that we may access will include sales, customer data, and reports. There is no contractual limitation on our right to access the information.

We are developing a mobile ordering app which will have a monthly cost and an additional monthly subscription fee. We anticipate the mobile ordering app will be paid by us as a group rate to reduce the cost to the system. Your subscription fees will be paid directly to the software supplier or through us to take advantage of group rates. If our cost to provide these services increase, we retain the right to increase the cost of monthly subscription services to you. You are responsible for all hardware, software, installation and maintenance expenses related to the software.

Information Systems/Technologies. We may designate the information system used in your Coffee Shop, including the computer hardware, software other equipment and enhancements (the “Information System”). If you suspect or know of a security breach, you must immediately give notice of such security breach and promptly identify and remediate the source of any compromise of security breach at your expense. You assume all responsibility for providing all notices of breach or compromise and all duties to monitor credit histories and transactions concerning customers of the franchise business unless otherwise directed by us.

You are solely responsible for protecting yourself from disruptions, Internet Access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and you waive any and all claims you may have against us or our affiliates as the direct or indirect result of such disruptions, security breach and promptly identify and remediate the source of any compromise of security breach at your expense. You assume all responsibility for providing all notices of breach or compromise and all duties to monitor credit histories and transactions concerning customers of the Franchise Business, unless otherwise directed by us.

All of the information we or our affiliates obtain from you or about your Coffee Shop, and all information in your records or concerning the members of your Coffee Shop (“the Information”) and all revenues we derive from the Information will be our property. However, you may at any time during the term of your franchise agreement, use in the operation of your Coffee Shop (but for no other purpose), to the extent lawful and at your sole risk and responsibility, any information that you acquire from third parties in operating your Coffee Shop, such as customer data. The information (except for information you provide to us or our affiliates with respect to you and your affiliates, including your respective officers, directors, shareholders, partners, or equity members of your entity) will become our property which we may use for any reason as we deem necessary or appropriate in our discretion. You hereby authorize your payment processor to release the information to us at any time. Following termination or expiration of this Agreement you will no longer use any of the Information, except to comply with your post-termination obligations

under this your franchise agreement and you authorize your payment processor to release the Information exclusively to us and/or our designees

Operations Manual

See Exhibit A for the table of contents of our Operations Manual as of the date of this disclosure document, with the number of pages devoted to each subject. The total number of pages in the Operations Manual is 68.

Training Program

Our training program consists of the following:

TRAINING PROGRAM

The following chart summarizes the subjects covered in our initial training program:

Initial Training			
Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Orientation	1	-	Our headquarters in Richardson Carrollton, Texas, your franchised business location, or another location we designate
Brand/History	1	-	Our headquarters in Richardson Carrollton, Texas, your franchised business location, or another location we designate
Coffee Basics -Coffee Beans -Coffee-to-Water Ratio -Grind Particle Size -Water Quality -Water Temperature -Batch Brewing -Pour Over	2	7	Our headquarters in Richardson Carrollton, Texas, your franchised business location, or another location we designate
Espresso based Training -Dosing/Distribution -Tamping -Grinder Adjustment -Milk Steaming -Cappuccino -Lattes -Machine Cleaning	3	22	Our headquarters in Richardson Carrollton, Texas, your franchised business location, or another location we designate

Initial Training			
Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Traditional Yemeni Brewing	1	18	Our headquarters in Richardson Carrollton, Texas, your franchised business location, or another location we designate
Refreshers	-	4	Our headquarters in Richardson Carrollton, Texas, your franchised business location, or another location we designate
Equipment maintenance	1	5	Our headquarters in Richardson Carrollton, Texas, your franchised business location, or another location we designate
Register Station	-	2	Our headquarters in Richardson Carrollton, Texas, your franchised business location, or another location we designate
Customer Service/Supervision	-	2	Our headquarters in Richardson Carrollton, Texas, your franchised business location, or another location we designate
Food Handling / Labeling	1	2	Our headquarters in Richardson Carrollton, Texas, your franchised business location, or another location we designate
Food Handling Certification	1	-	Our headquarters in Richardson Carrollton, Texas, your franchised business location, or another location we designate
Vendors and Suppliers Scheduling	1	-	Our headquarters in Richardson Carrollton, Texas, your franchised business location, or another location we designate
Operations and Management <ul style="list-style-type: none"> - Staffing - Hiring and Firing - Training and Support - Pay Structures - Logistics 	2	4	Our headquarters in Richardson Carrollton, Texas, your franchised business location, or another location we designate

Initial Training			
Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
TOTALS:	14	66	

Training classes will be scheduled in accordance with the needs of new franchisees. We anticipate holding training classes three to six times per year. Training will be held at our offices and business location in Richardson, Texas. We reserve the right to vary the length and content of the initial training program based on the experience and skill level of any individual attending the initial training program. You and your Designated Manager must satisfactorily complete the initial training at least 4 weeks prior to the opening of the Coffee Shop. While we do not currently require you to attend additional training (except in the instance you or your Designated Manager did not satisfactorily complete the initial training), we do reserve the right to offer and require you and your Designated Manager to attend additional training or refresher courses with no less than 30 days' notice to you. The instructional materials consist of the Operations Manual and other materials, lectures, discussions, and on-the-job demonstration and practice. Training classes will be led or supervised by our lead trainer Yazan Soofi. Mr. Soofi has been with us since inception and has 3 years of experience in operating similar business lines.

There is no fee for up to 5 people to attend training. You must pay the travel, salary, food, and living expenses of people attending training. You must attend training. You may send any additional persons to training that you want (up to the maximum described above). We will provide pre-opening training; this will consist in two to three days of training prior to the opening day and one or two days after the corresponding opening day. You must complete training to our satisfaction at least four weeks before opening your business. In our sole discretion, we may reduce, or extend training days after the opening day. Training will be led or supervised by our lead trainer. All initial trainings are provided on an as needed basis but no less than once per year.

Your business must at all times be under your on-site supervision or under the on-site supervision of a general manager who has completed our training program. If you need to send a new general manager to our training program, or you, your general manager, or employee must attend a refresher-training program as we may designate to be conducted at our headquarters or another location we designate. We will charge a fee, which is currently \$350 per person per day. Attendance at these programs will be at your expense. You do not have to attend more than one of these programs in any calendar year, and these programs will not exceed three days during any calendar year.

If we or our representative is scheduled to conduct an on-site training program, or scheduled for a visit at your location for other reasons, or if you register for a training program and you subsequently cancel, fail to attend, fail to have the appropriate parties attend, or fail to stay for the entire training program, then you must pay us our current on-site training cancellation fee, which is currently \$1,000 or our actual costs whichever is higher (the "On-Site Training Cancellation Fee"). The On-Site Training Cancellation Fee may vary depending upon the type of scheduled training program and how far in advance you notify the Franchisor in writing of the cancellation and the cost and expense incurred in rescheduling our travel arrangements.

ITEM 12 TERRITORY

You will not receive an exclusive territory. You may face competition from other franchisees, from Coffee Shops that we own, or from other channels of distribution or competitive brands that we control.

Your Location.

You must only operate the Coffee Shop from a location that you select and that we approve. If the specific location is not known at the time you sign a franchise agreement, then your location is subject to our approval. You must select a site from within the non-exclusive Site Selection Area as identified in the Franchise Agreement; however, we may use other boundaries such as counties or other political boundaries, streets, geographical features, or trade area. The exact Site Selection Area granted to you will be specified in your Franchise Agreement. Site Selection Area does not grant you any territorial protection of your Coffee Shop but merely identifies geographic location in which your Coffee Shop must be located.

If no physical address is identified on Attachment 2 of the Franchise Agreement at the time of signing your franchise agreement or is later updated, then your location shall be the actual location of your Coffee Shop.

Grant of Territory.

Once the location of the Coffee Shop is identified, your Franchise Agreement will grant to you a protected territory in which you will operate your Coffee Shop (“Designated Area”) except for Reserved Areas. If you are in compliance with the Franchise Agreement and any other agreement you have with us or our affiliates, except as described below, we and our affiliates will not establish or authorize anyone except you to establish an Arwa Coffee Shop within the Designated Area specified in the Franchise Agreement.

Generally, the Designated Area will be a geographic area which is a circle having the front door to the Coffee Shop as its center and a radius of ~~53~~ miles, however, the Designated Area may be less. In densely populated urban areas as determined by the Franchisor, the Designated Area will be less and may be as small as an office or retail building in these types of areas. If you are granted the right to operate an Arwa Coffee Shop in a Reserved Area, no Designated Area will be granted for that Coffee Shop. If the Designated Area is not established in Attachment 2, you expressly acknowledge that we may own, acquire, establish, and/or operate and license others to establish and operate, a Coffee Shop under the System at any location, and exercise all of the rights reserved to us at any location, notwithstanding the proximity to or the actual or threatened impact on sales of the Coffee Shop.

Franchisor’s Reserved Rights. We reserve the right to provide temporary off-site services for parties, festivals, or other short-term activities (“Short-Term Events”) not to exceed two (2) weeks in duration whether inside or outside your Designated Area. Franchisor may offer to allow you to host these Short - Term Events.; however, Franchisor reserves the right to allow another franchisee to provide these services. “Reserved Area” means the enclosed area of retail sales establishments, including without limitation, shopping malls, grocery stores, and retailers that are part of regional or national chains; food courts; airports; hospitals; cafeterias; commissaries; campuses of schools, colleges, and universities; hotels; office buildings; stadiums; arenas; ballparks; festivals; fairs; military bases; museums, train stations, public transportation facilities, government facilities, and other mass gathering locations or events which may fall in your Designated Area. Reserved Area also is any facility for which food and/or beverage service rights are contracted to a third party or parties (including designated roadways and adjacent facilities).

We retain all other rights in and outside the Designated Area. This means that we can: (a) operate, and license others to operate an Arwa Coffee Shop at any location outside the Designated Area and in any Reserved Area (whether located inside or outside the Designated Area) including having an Arwa Coffee Shop that is adjacent to or surrounded by the Designated Area, (b) advertise and promote the System in the Designated Area (c) to operate, and license others to operate, other coffee shops, ghost kitchens, or other

food service businesses utilizing trademarks other than Arwa Coffee inside and outside the Designated Area and in any Reserved Area, and (d) engage, directly or indirectly, at wholesale, retail, or otherwise, in the production, distribution, license, and sale of any and all food, beverages, or other services and products, under the Marks or under other names or marks through any method of distribution, other than a Arwa Coffee business, regardless of the competitive impact, and including, but not limited to, from vending machines and kiosks, food trucks, grocery stores, and other food retailers and through mail order catalogs and the Internet, regardless of the proximity to, or the competitive impact on, the Coffee Shop you develop inside or outside your Designated Area.

We are not required to compensate you if we exercise any of the rights specified above. You are not restricted from soliciting or accepting orders from consumers except with respect to Reserved Areas and alternate channels of distribution, or if we limit the area in which you can provide catering services.

Limit on Sales. Your rights hereunder shall be limited to offering and selling products at the Coffee Shop, and only to retail customers of the Coffee Shop for (a) customer consumption on the premises of the Coffee Shop at the Approved Location (the “Location”), (b) customer carry-out consumption of products sold at the Coffee Shop, and (c) off-Location delivery or off-Location catering activities; provided that all such activities shall be conducted only in accordance with the requirements of this Agreement and the procedures set forth in the Manuals and all applicable laws. You expressly acknowledge that you may only engage in off-Location delivery or off-Location catering activities in accordance with such specific programs, policies, terms and conditions as we may from time to time establish. You shall not, without the prior written approval of us, engage in any other type of sale of, or offer to sell, or distribution of products, including, but not limited to: selling, distributing or otherwise providing, any products to third parties at wholesale, or for resale or distribution by any third party; and selling, distributing or otherwise providing any products through catalogs, mail order, toll free numbers for delivery, or electronic means (e.g., the Internet).

Relocation; Establishment of Additional Cafés. You do not have the right to relocate your business, and we have no obligation to approve any request for relocation. Our policy is to approve relocation of a franchisee’s business on case-by-case basis, considering factors such as changes in demographics, profitability of your current business, or loss of your location due to circumstances beyond your control.

There are no circumstances that permit us to modify your territorial rights under the franchise agreement. Unless we grant you development rights under a development agreement, we do not grant you any options or rights of first refusal to acquire additional franchises.

Options to Acquire Additional Franchises. You do not receive any options, rights of first refusal, or similar rights to acquire additional franchises under the franchise agreement.

Restrictions on Us from Soliciting or Accepting Orders in Your Territory. There are no restrictions on us from soliciting or accepting orders from consumers inside your territory. We reserve the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory using our principal trademarks or using trademarks different from the ones you will use under your franchise agreement. We do not pay any compensation to you for soliciting or accepting orders from inside your territory.


Soliciting by You Outside Your Territory. There are no restrictions on you from soliciting or accepting orders from consumers outside of your territory, provided that you first obtain our written permission, which may be withheld at our sole discretion. If such request is granted, we reserve the right to terminate such solicitation option upon written notice to you, which may be in a form of an electronic communication, in

which case you must immediately cease soliciting or accepting orders from consumers outside of your territory. We reserve the right to control all internet-based marketing and social media accounts.

Competition by Us Under Different Trademarks. Neither we nor any of our affiliates currently operates, franchises, or has plans to operate or franchise a business under a different trademark selling goods or services similar to those you will operate. However, the franchise agreement does not prohibit us from doing so in the future.

**ITEM 13
TRADEMARKS**

Our affiliate Arwa Coffee IP Holdings LLC owns following Marks that are registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”) where all required affidavits have been filed and Arwa intends to file all renewals of Marks when due:

Mark	Registration Number	Registration Date	International Class
	7294422	January 30, 2024	030 043
SWEET LIKE YEMENI TEA	7299256	February 06, 2024	043
<u>ARWA COFFEE</u>	<u>7437669</u>	<u>July 9, 2024</u>	<u>030</u>
<u>ARWA</u>	<u>7629413</u>	<u>December 31, 2024</u>	<u>043</u>

Arwa Coffee IP Holdings LLC does not yet have a federal registration for the marks listed in the chart below. Therefore, these trademarks do not have as many legal benefits and rights as a federally registered trademark. If our right to use the marks in the chart below is challenged, you may have to change to alternative trademarks, which may increase your expense.

<u>Trademark</u> <u>Mark</u>	<u>Application</u> <u>Date</u> <u>Number</u>	<u>Serial</u> <u>Number</u> <u>Application</u> <u>Date</u>	International Class

ARWA COFFEE	January 20, 2023	97762234	043
ARWA COFFEE Yemeni Ice	January 20, 202398691474	97977652 August 9, 2024	030

There is no presently effective determination of the U.S. Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition, or cancellation proceeding, nor any pending material litigation involving the Marks which is relevant to their ownership, use, or licensing.

We know of no superior prior rights or infringing use that could materially affect your use of the Marks.

Arwa Coffee IP Holdings LLC, our affiliate, owns the trademarks described in this Item. Under an Intercompany License Agreement between us and Arwa Coffee IP Holdings LLC, we have been granted the exclusive right to sublicense the trademarks to franchisees throughout the United States. The agreement is of perpetual duration. It may be modified only by mutual consent of the parties. It may be canceled by our affiliate only if (1) we materially misuse the trademarks and fail to correct the misuse, or (2) we discontinue commercial use of the trademarks for a continuous period of more than one year. Upon termination of the Intercompany License Agreement, our affiliate Arwa Coffee IP Holdings LLC has an option to assume all franchise agreements to which we are a party. We know of no other agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to you.

Protection of Rights

We are not obligated to protect your rights to use the Marks or to protect you against claims of infringement or unfair competition. However, we may at our sole discretion protect your right to use the principal trademarks listed in this Item, and protect you against claims of infringement or unfair competition arising out of your use of the trademarks, to the extent described in this section.

You must immediately notify us of any infringement of the Marks or of any challenge to the use of any of the Marks or claim by any person of any rights in any of the Marks. You and your Principals must agree not to communicate with any person other than us, any designated affiliate, and our or their counsel about any infringement, challenge, or claim. We, or our affiliates, have sole discretion to take any action we deem appropriate and the right to exclusively control any litigation or Patent and Trademark Office (or other) proceeding from any infringement, challenge, or claim concerning any of the Marks. You must execute all instruments and documents and give us any assistance that, in our counsel’s or our affiliates’ counsel’s opinion, may be necessary or advisable to protect and maintain our interests or those of our affiliates in any litigation or proceeding or to otherwise protect and maintain our or their interest in the Marks.

You may use only the Marks that we designate, must use them only in the manner that we authorize and permit, and must use them with the symbols, “®”, “™”, or “SM”, as appropriate. You may use the Marks only in connection with the operation and promotion of the Coffee Shop, and only in the manner we prescribe. You may not use the Marks or any part of the Marks in your corporate name, and may not use them to incur any obligation or indebtedness on our behalf. You must also follow our instructions for identifying yourself as a franchisee and for filing and maintaining the requisite trade name or fictitious name registrations. You

must execute any documents we or our counsel determine are necessary to obtain protection for the Marks or to maintain their continued validity and enforceability. Neither you nor your Principals may take any action that would prejudice or interfere with the validity of our rights with respect to the Marks and may not contest the validity of our interest in the Marks or assist others to do so.

You may not use the Marks or any part or derivative of the Mark on the Internet, except as expressly permitted in writing. This prohibition includes use of the Marks or any derivative of the Marks as part of any URL or domain name, including but not limited to any gaming website, social networking Website, or marketing/discounting Website; as part of any user name; or as part of any unauthorized email address.

We have the right to substitute different trade names, service marks, trademarks, and indicia of origin for the Marks if the Marks can no longer be used, or if we determine, in our sole discretion, that the substitution will be beneficial to the System. If we do, we may require you to discontinue or modify your use of any Mark or use one or more additional or substitute Marks at your expense.

If you use our trademarks in accordance with the franchise agreement, then at our discretion (i) we may defend you (at our expense) against any legal action by a third-party alleging infringement by your use of the trademark, (ii) indemnify you for expenses and damages if the legal action is resolved unfavorably to you or (iii) if necessary in our sole discretion, discontinue, modify, or substitute your use of any Mark which you must comply with at your own expense.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

We do not own rights in, or licenses to, patents that are material to the franchise. We do not have any pending patent applications.

Copyrights

All our original works of authorship fixed in a tangible medium of expression are automatically protected under the U.S. Copyright Act, whether or not we have obtained registrations. This includes our Operations Manual as well as all other sales, training, management, and other materials that we have created or will create. You may use these copyrighted materials during the term of the franchise, in a manner consistent with our ownership rights, solely for your franchised business. We do not have any registered copyrights. There are no pending copyright applications for our copyrighted materials. There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court regarding any copyright.

There are no agreements currently in effect that limit our right to use or license the use of our copyrighted materials.

We have no obligation to protect any of our copyrights or to defend you against claims arising from your use of copyrighted items. The franchise agreement does not require us to take affirmative action when notified of copyright infringement. We control any copyright litigation. We are not required to participate in the defense of a franchisee or indemnify a franchisee for expenses or damages in a proceeding involving a copyright licensed to the franchisee. We may require you to modify or discontinue using the subject matter covered by any of our copyrights.

We do not know of any copyright infringement that could materially affect you.

Proprietary Information

We have a proprietary, confidential Operations Manual and related materials that include guidelines, standards, specifications, System know-hows, and policies for the development and operation of your business. We also claim proprietary rights in other confidential information or trade secrets that include all

methods for developing and operating the business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information, and know-how.

You (and your owners, if the franchise is owned by an entity) must protect the confidentiality of our Operations Manual and other proprietary information, and you must use our confidential information only for the operation of your franchised business pursuant to a valid and effective franchise agreement. We may require your managers and key employees to sign confidentiality agreements.

ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You are not required to participate personally in the direct operation of your business. However, we recommend that you participate.

You must designate one person as your “Designated Manager”. The Designated Manager is the person primarily responsible for your business and has decision-making authority on behalf of the business. They must devote full-time efforts to the management and operation of the Coffee Shop and we are authorized to communicate with the Designated Manager for all purposes and rely on their responses. The Designated Manager must complete our initial training program. The Designated Manager must complete any post-opening training programs that we develop in the future. The Designated Manager must make reasonable efforts to attend all in-person meetings and remote meetings (such as telephone or Zoom conference calls), including regional or national brand conferences, that we require. The Designated Manager cannot fail to attend more than three consecutive required meetings.

If the franchisee is a business entity, each Owner must sign a Personal Guaranty and Non-Compete Agreement substantially in the form attached as Attachment 3 to the Franchise Agreement. Any person we designate, including, but not limited to, spouses of Owners who are not also Owners and your General Manager, if applicable, must also sign the Guaranty and Non-Compete Agreement. Any individual who attends our initial training program who has not signed our Personal Guaranty must sign a confidentiality and noncompetition agreement substantially in the form attached as Attachment 6 to the Franchise Agreement. The term “Owner” means each individual or entity holding a beneficial ownership in the franchisee. It includes all current and future shareholders of a corporation, all current and future members of a limited liability company, all current and future general and limited partners of a limited partnership, and the grantor and current or future trustee of the trust.

We do not impose any anti-poaching restrictions that prohibits you, or any other franchisee, from soliciting or hiring any person currently employed or previously employed within the System. However, if you hire another franchisee’s employees within one year of the employee attending our training program, you are required to reimburse the other franchisee the then-current training fee and its costs associated with sending that employee to training.

“On-Location” Supervision

You are not required to personally conduct “on-location” supervision (that is, act as general manager) of your business. However, we recommend on-location supervision by you. In your absence, the Designated Manager is responsible for supervision.

There is no limit on who you can hire as an on-location supervisor. The general manager of your business (whether that is you or a hired person) must successfully complete our training program.

If the franchise business is owned by an entity, we do not require that the general manager own any equity in the entity.

Restrictions. If we request, you must have your general manager sign a confidentiality and non-compete agreement. We do not require you to place any other restrictions on your manager. We also request that all employees sign a confidentiality agreement once employment has been accepted.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all menu items that we require, and only those menu items that we have approved, and in the method or manner we determine, including dine-in, carry-out, catering, and delivery, which may include the use of third-party delivery service providers or the use of other technology.

You must prepare, package, and serve all menu items according to our recipes, standards, and procedures for preparation, presentation, and service as communicated to you from time to time via the Operations Manual or other written directives.

Our standards and procedures may include, without limitation, adherence to recipes (including use of prescribed ingredients and prescribed measure of ingredients), use of containers and paper goods bearing the Marks, packaging procedures, product holding times, and other standards for displaying for sale menu items and other merchandise.

We may add, eliminate, or modify authorized goods and services, in our sole discretion, including but not limited to limiting the geographical area in which you can provide catering services. There are no contractual limitations on our rights to make these changes.

You must participate in all market research programs that we require for your Coffee Shop which includes test-marketing new products, purchasing a reasonable quantity of new products for test-marketing, and promoting the sale of the new products. You must provide us with timely reports and test results for all such programs.

You may not co-brand with another concept, or offer or provide catering or delivery services from your Coffee Shop without our prior written consent. You may not ship Arwa Coffee products, regardless of the destination, without our prior written consent, nor distribute Arwa Coffee products through wholesale channels, such as supermarkets, convenience stores, or other retailers, or through food service providers such as commissaries or airlines through in-flight services. You may not operate any other business from the location of the Coffee Shop without our written permission.

We have the right to establish maximum, minimum, or other retail pricing requirements to the extent permitted by law.

You may not permit any vending, game or gaming machines, payphones, automatic teller machines, Internet kiosks, or other mechanical or electrical devices in the Coffee Shop except for those we require or approve.

ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	Franchise Agreement (FA): Section 3.1	10 years from date of franchise agreement.
b. Renewal or extension of the term	FA: Section 3.2	You may obtain a successor franchise agreement for up to two additional 5-year terms.
c. Requirements for franchisee to renew or extend	FA: Section 3.2	In order to renew you must: (a) have fully complied with the Franchise Agreement; (b) have updated your Café equipment; (c) have satisfied all monetary obligations owed to us or our affiliates including payment of renewal fee in the amount of 50% of than current initial franchise fee; (d) not be in default of any provision of the Franchise Agreement or any other agreement between you and us; (e) have timely notified us of your intent to renew; (f) sign a current Franchise Agreement, which may have materially different terms and conditions (including higher royalty fees and higher Brand Development and marketing Fees); (g) comply with current qualifications, (h) comply with any training requirements; and (i) sign a general release, and you or principals must also sign a general release.
d. Termination by franchisee	FA: Section 14.8	If we violate a material provision of the franchise agreement and fail to cure or to make substantial progress toward curing the violation within 30 days after notice from you.
e. Termination by franchisor without cause	No Provision	No Provision
f. Termination by franchisor with cause	FA: Sections 14.2 – 14.4	We may terminate your agreement for cause, subject to any applicable notice and cure opportunity.
g. “Cause” defined--curable defaults	FA: Sections 14.3 and 14.4	Non-payment by you (10 days to cure); violate franchise agreement other than non-curable default (30 days to cure).
h. “Cause” defined--non-curable defaults	FA: Section 14.2	FA: Misrepresentation when applying to be a franchisee; knowingly submitting false information; bankruptcy; lose possession of your location; violation of law; violation of confidentiality; violation of non-compete; violation of transfer restrictions; slander or

Provision	Section in franchise or other agreement	Summary
		libel of us; refusal to cooperate with our business inspection; cease operations for more than 5 consecutive days; three defaults in 12 months; cross-termination; charge or conviction of a felony, or accusation of an act that is reasonably likely to materially and unfavorably affect our brand; any other breach of franchise agreement which by its nature cannot be cured.
i. Franchisee’s obligations on termination/non-renewal	FA: Sections 14.9 – 14.13	Pay all amounts due; return Operations Manual and proprietary items; notify phone, internet, and other providers and transfer service; cease doing business; remove identification; Call Right by us.
j. Assignment of agreement by franchisor	FA: Section 15.1	Unlimited
k. “Transfer” by franchisee - defined	FA: Article 15	For you (or any owner of your business) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the business, (ii) the franchise agreement, (iii) any direct or indirect ownership interest in the business, or (iv) control of the business.
l. Franchisor’s approval of transfer by franchisee	FA: Section 15.2	No transfers without our approval.
m. Conditions for franchisor’s approval of transfer	FA: Section 15.2	Pay transfer fee; buyer meets our standards; buyer is not a competitor of ours; buyer and its owners sign our then-current franchise agreement and related documents (including personal guaranty); you’ve made all payments to us and are in compliance with all contractual requirements; buyer completes training program; you sign a general release; business complies with then-current system specifications (including remodel, if applicable).
n. Franchisor’s right of first refusal to acquire franchisee’s business	FA: Section 15.5	If you want to transfer your business (other than to your co-owner or your spouse, sibling, or child), we have a right of first refusal.
o. Franchisor’s option to purchase franchisee’s business	Not Applicable	

Provision	Section in franchise or other agreement	Summary
p. Death or disability of franchisee	FA: Sections 14.5, 15.4	If you die or become incapacitated, a new principal operator acceptable to us must be designated to operate the business, and your executor must transfer the business to a third party within nine months.
q. Non-competition covenants during the term of the franchise	FA: Section 13.1	Neither you, any owner of the business, or any spouse of an owner may have ownership interest in, or be engaged or employed by, any competitor.
r. Non-competition covenants after the franchise is terminated or expires	FA: Section 13.2	For two years, no ownership or employment by a competitor located within five miles of your former territory or the territory of any other Arwa Coffee Shop operating on the date of termination.
s. Modification of the agreement	FA: Section 18.4	No modification or amendment of the agreement will be effective unless it is in writing and signed by both parties. This provision does not limit our right to modify the Operations Manual or system specifications.
t. Integration/merger clause	FA: Section 18.3	Only the terms of the agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. However, no claim made in any franchise agreement is intended to disclaim the express representations made in this disclosure document.
u. Dispute resolution by arbitration	FA: Section 17.2	All disputes are resolved by arbitration (except for injunctive relief) (subject to applicable state law).
v. Choice of forum	FA: Sections 17.1; 17.5	Arbitration will take place where our headquarters is located (currently, Dallas County, Texas) (subject to applicable state law). Any legal proceedings not subject to arbitration will take place in the District Court of the United States, in the district where our headquarters is then located, or if this court lacks jurisdiction, the state courts of the state and county where our headquarters is then located (subject to applicable state law).
w. Choice of law	FA: Section 17.1	State of Texas (subject to applicable state law).

For additional disclosures required by certain states, refer to Exhibit B - State Addenda to disclosure document.

ITEM 18
PUBLIC FIGURES

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

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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 any reasonable basis for the information, and if the information is included in the disclosure document. Financial information that differs from that included in Item 19 may only be given if (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under circumstances.

20242023 Annual Gross Sales

This financial performance representation discloses historical information regarding the Gross Sales and those certain costs and disclosures ~~as it relates to one corporate location owned by our affiliate Arwa Coffee LLC operating from at least January 1, . As of December 31, 2024 there were two corporate locations owned and operated by an affiliate of the Franchisor (“Corporate Units”) and one franchised location (“Franchised Unit”).~~ 2023 through December 31, 2023 (“**Measurement Period**”).

Table 1 shows Gross Sales as it relates to one Corporate Unit owned by our affiliate Arwa Coffee LLC operating for the full measurement period, that is at least January 1, through December 31st (“**Measurement Period**”) for the years ending in 2023 and 2024.

TABLE 1

CORPORATE COFFEE SHOP	2023	<u>2024</u>
Gross Sales¹	\$1,092,336	<u>\$1,311,485</u>
COGS³	\$279,354	
Labor Expense⁴	\$337,794	

2024 Monthly Gross Sales

~~The following chart discloses historical information regarding 2024 monthly~~ Table 2 shows Gross Sales as it relates to ~~one corporate location~~ a 2nd Corporate Unit owned by our affiliate Arwa Coffee LLC operating for ~~5 full month of January~~ months from August 1, 2024 ~~and February~~ through December 31, 2024.

TABLE 2

CORPORATE COFFEE SHOP ⁶ SHOP	2024 Monthly Gross Sales ¹
January <u>August</u> 2024	\$124,039 <u>89,612</u>
February <u>September</u> 2024	\$115,106 <u>87,434</u>
<u>October 2024</u>	<u>\$86,324</u>
<u>November 2024</u>	<u>\$97,991</u>
<u>December 2024</u>	<u>\$101,464</u>

The results presented in this Item 19 are not audited and are based on information reported to us by our affiliate, that owns these Corporate Units. We have not independently audited the reported results, but we have no reasonable basis to question their reliability.

1. “Gross Sales” as defined in this financial representation Item 19 means total sales amount of the coffee shop less applicable sales taxes, discounts, and refunds. Gross Sales does not include the cost of sales, operating expenses, or other costs or expenses that must be deducted from the gross sales figures to determine net income or profit.
- ~~2. COGS included in Table 1 above are approximately 25.6% of Gross Sales for the Measurement Period. “COGS” herein means the cost of goods sold, which includes cost of inventory, products, supplies, and packaging cost of all food, beverage, and retail products. COGS do not include any cost of equipment or furniture you will need for your Franchised Business.~~
- ~~3. Labor Costs included in Table 1 above are approximately 30.9% of Gross Sales for the Measurement Period. The term “Labor Costs” includes salaries and wages for all hourly and salary employees excluding payroll taxes.~~
- ~~4.2. The corporate coffee shop included in this financial performance representation does not reflect royalty fees and other fees, that you may pay under the terms of your signed Franchise Agreement. Additionally, the corporate coffee shop in this Item does not include debt service that you may incur, nor does it include any information about federal, state, or local taxes you will be required to pay.~~
- ~~5.3. As of the issuance date, the affiliate-owned coffee shop 1 Franchised Unit was not operating for the full month of March 2024 and therefore, data from the month of March 2024 was intentionally excluded from Table 2 in this financial performance representation, as the Franchised Unit is being operated as a coffee cart rather than a traditional brick and mortar franchised business you will operate.~~

Some stores have sold this amount. Your individual results may differ. There is no assurance that you will sell as much.

We have written substantiation in our possession to support the information appearing in this Item 19, and this information will be made available to you on reasonable request.

You should conduct an independent investigation of the costs and expenses you will incur in operating your Coffee Shop. We recommend that you make your own independent investigation to determine whether the

franchise may be profitable, and consult with an attorney and other advisors prior to executing the franchise agreement.

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 Faris Almatrahi, President, ~~3211 Preston Road~~1300 N Interstate 35, Suite ~~1~~, ~~Friseo, Texas~~75034100, Carrollton, TX 75006, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

**Table 1
Systemwide Outlet Summary
For years ~~2021~~2022 to ~~2024~~2023**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021 <u>2022</u>	0	0	0
	2023 <u>2022</u>	0	0	0
	2023 <u>2024</u>	0	<u>0</u> 1	<u>0</u> +1
Company-Owned	2022 <u>2021</u>	0	<u>0</u> 1	<u>0</u> +1
	2023 <u>2022</u>	<u>0</u> 1	1	<u>+1</u> 0
	2023 <u>2024</u>	1	<u>1</u> 2	<u>0</u> +1
Total Outlets	2022 <u>2021</u>	0	<u>0</u> 1	<u>0</u> +1
	2022 <u>2023</u>	<u>0</u> 1	1	<u>+1</u> 0
	2023 <u>2024</u>	1	<u>1</u> 3	<u>0</u> +2

**Table 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years ~~2021~~2022 to ~~2024~~2023**

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

State	Year	Number of Transfers
	2023 2024	0
Total	2022 2021	0
	2023 2022	0
	2023 2024	0

Table 3
Status of Franchised Outlets
For years ~~2021~~2022 to ~~2023~~2024

State	Year	Outlets at the Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
All States Texas	2022 2021	0	0	0	0	0	0	0
	2022 2023	0	0	0	0	0	0	0
	2023 2024	0	<u>0</u> 1	0	0	0	0	<u>0</u> 1
Totals	2022 2021	0	0	0	0	0	0	0
	2023 2022	0	0	0	0	0	0	0
	2023 2024	0	<u>0</u> 1	0	0	0	0	<u>0</u> 1

Table 4
Status of Company-Owned Outlets
For years ~~2021~~2022 to ~~2023~~2024

State	Year	Outlets at the Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Texas	2021 2022	0	<u>0</u> 1	0	0	0	<u>0</u> 1
	2023 2022	<u>0</u> 1	<u>+</u> 0	0	0	0	1
	2023 2024	1	<u>0</u> 1	0	0	0	<u>+</u> 2
Totals	2021 2022	0	<u>0</u> 1	0	0	0	<u>0</u> 1
	2022 2023	<u>0</u> 1	<u>+</u> 0	0	0	0	1
	2023 2024	1	<u>0</u> 1	0	0	0	<u>+</u> 2

Table 5
Projected Openings As Of December 31, ~~2023~~2024

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year
<u>Illinois</u>	<u>3</u>	<u>0</u>	<u>0</u>
<u>California</u>	<u>0</u>	<u>1</u>	<u>0</u>
<u>Florida</u>	<u>0</u>	<u>1</u>	<u>0</u>
<u>Georgia</u>	<u>0</u>	<u>1</u>	<u>0</u>
<u>Massachusetts</u>	<u>1</u>	<u>0</u>	<u>0</u>
Texas	<u>0</u> 1	<u>1</u> 2	1
Totals	<u>0</u> 5	<u>1</u> 5	1

Current Franchisees

Exhibit H contains the names of all current franchisees (as of the end of our last fiscal year) and the address and telephone number of each of their Coffee Shop.

Former Franchisees

Exhibit H contains the name, city and state, and current business telephone number, or if unknown, the last known email address of every franchisee who had a Coffee Shop terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement. In addition, Exhibit H also lists those who have not communicated with us within 10 weeks of the disclosure document issuance date as of December 31, ~~2023~~2024.

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

Confidentiality Clauses

In the last three fiscal years, no franchisees have signed any contract, order, or settlement provision that directly or indirectly restricts a current or former franchisee from discussing his or her personal experience as a franchisee in our system with any prospective franchisee.

Franchisee Organizations

There are no trademark-specific franchisee organizations associated with our franchise system.

TEM 21
FINANCIAL STATEMENTS

Exhibit F contains the following:

- i) ~~Unaudited~~Audited balance sheet as of ~~July~~December 31, 2024 and ~~income statement from January 1, 2024 through July 31, 2024;~~related statements of operations, members' equity, and cash flows for the years then ended; and
- ii) our audited opening balance sheet as of February 26, 2024.

We have not been in business for three years or more, and therefore cannot include all financial statements required by the Franchise Rule of the Federal Trade Commission.

Our fiscal year end is December 31st.

ITEM 22 CONTRACTS

Copies of all proposed agreements regarding this franchise offering are attached as the following:

- Exhibit C: Franchise Agreement (with Guaranty and Non-Compete Agreement, Lease Rider)
- Exhibit D: Franchisee Disclosure Questionnaire
- Exhibit F: Form of General Release

ITEM 23 RECEIPTS

Detachable documents acknowledging your receipt of this disclosure document are attached as the last two pages of this disclosure document.

EXHIBIT A
STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

We may register this disclosure document in some or all of the following states in accordance with the applicable state law. If and when we pursue franchise registration, or otherwise comply with the franchise investment laws, in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in each state and the state offices or officials that we will designate as our agents for service of process in those states:

State	State Administrator	Agent for Service of Process (if different from State Administrator)
California	Commissioner of Business Oversight Department of Business Oversight 1515 K Street Suite 200 Sacramento, CA 95814-4052 866-275-2677	Commissioner Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, HI 96810 (808) 586-2722	
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	Office of Attorney General 500 S. Second Street Springfield, Illinois 62706
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681	
Maryland	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	Michigan Department of Labor & Economic Growth Commercial Services & Corporations Bureau 611 West Ottawa Street Lansing, Michigan 48909

State	State Administrator	Agent for Service of Process (if different from State Administrator)
Minnesota	Minnesota Department of Commerce Securities-Franchise Registration 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Department of Commerce Commissioner of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st Fl New York, NY 10005 212-416-8222	Secretary of State 99 Washington Avenue Albany, New York 12231
North Dakota	North Dakota Securities Department 600 East Boulevard Ave., State Capital Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex-69-1 Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Division of Insurance Securities Regulation 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563	
Texas	N/A	Yazan Soofi 3211 Preston Road <u>1300 N Interstate 35,</u> Suite 4100 Friseo <u>Carrollton, Texas 7503475006</u>
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507 (360) 902-8760	<u>Director, Department of Financial</u> <u>Institutions</u> <u>Securities Division</u> <u>150 Israel Road, S.W.</u> <u>Tumwater, Washington 98501-6456</u>

State	State Administrator	Agent for Service of Process (if different from State Administrator)
Wisconsin	Division of Securities Department of Financial Institutions Post Office Box 1768 Madison, WI 53701 (608) 266-2801	<u>Administrator, Division of Securities</u> <u>Department of Financial Institutions</u> <u>201 West Washington Avenue, Suite 300</u> <u>Madison, Wisconsin 53703</u>

EXHIBIT B

STATE ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT

STATE-SPECIFIC ADDENDA

FOR THE STATE OF CALIFORNIA

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

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.

The California Corporations Code, Section 31125, 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.

The Franchise Agreement contains provisions shortening the statute of limitations to bring claims and requiring you to waive your right to punitive or exemplary damages against the franchisor, limiting your recovery to actual damages for any claims related to your franchise. Under California Corporations Code 31512, these provisions are not enforceable in California for any claims you may have under the California Franchise Investment Law.

Item 3 of the disclosure document is supplemented by the following:

Neither the franchisor nor any person identified in Item 2 of the disclosure document is subject to any current effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934, U.S.C.A., 78a et. seq., suspending or expelling such persons from membership in such association or exchange.

Item 5 of this disclosure document is supplemented by the following:

“The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.”

Item 17 of the disclosure document is supplemented by the following:

California Business and Professions Code, Sections 20000 through 20043 provides rights to the franchisee concerning transfer, termination or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

You must sign a general release if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of

your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

The Franchise Agreement contains a covenant not to compete that extends beyond expiration or termination of the agreement. This provision may not be enforceable under California law.

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

The Franchise Agreement provides for mediation and/or arbitration for certain disputes. The mediation and/or arbitration will occur at a location within 10 miles of our then current address (currently Tampa, Florida). This provision may not be enforceable under California law.

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 a franchise agreement restricting venue to a forum outside the State of California.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

FOR THE STATE OF ILLINOIS:

1. Item 5 is amended by the following:

Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations to Franchisee, and Franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to the Franchisor's financial condition.

2. Item 17 is supplemented by the following:

Section 705/4 of the Illinois Franchise Disclosure Act of 1987 (the "Act") provides that any provision in the Franchise Agreement that designates venue outside of Illinois is void with respect to any cause of action that is otherwise enforceable in Illinois; however, the Agreement may provide for arbitration in a forum outside of Illinois.

3. Notwithstanding the provisions of the Franchise Agreement that Texas law shall govern, Illinois law shall apply to and govern any claim between the parties under the Franchise Agreement that alleges violation of the Act.

4. The conditions under which your franchise can be terminated and your rights on renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.
5. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

FOR THE STATE OF MINNESOTA

1. Item 5 and Item 7 are supplemented by the following:

Based upon the franchisor's financial condition, the Minnesota Department of Commerce has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

2. Item 17 is supplemented by adding the following language to the end of the "Summary" section of Item 17(c) (Requirements for franchisee to renew or extend) and Item 17(m) (Conditions for our approval of transfer by franchisee):

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01-80C.22.

3. Item 17 is supplemented by adding the following language to the end of the "Summary" section of Item 17(f) (Termination by franchisor with cause):

Minnesota law provides a franchisee with certain termination and non-renewal rights. Minnesota Statutes Sec. 80C.14, Subs, 3,4, and 5 require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the applicable agreement.

4. Item 17 is supplemented by adding the following language to the end of the "Summary" section of Item 17(v) (Choice of forum):

Minnesota Statute 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

5. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

FOR THE STATE OF NEW YORK

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 SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises, under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of a or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of any franchise, antifraud, or securities law, fraud, embezzlement, fraudulent conversion, or misappropriation of property, or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of item 17(c), titled "Requirements for franchisee to renew or extend", and Item 17(m), entitled "Conditions for franchisor approval of transfer":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of

New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”:

You may terminate the agreement on any grounds available by law.

5. The following is added to the “Summary” section of Item 17(v), titled “Choice of forum franchisor”, and item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Receipts. Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

FOR THE STATE OF VIRGINIA

Item 5 of the Franchise Disclosure Document is revised to include the following:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, Item 17.h. of the Franchise Disclosure Document is supplemented by the following:

“Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do not constitute “reasonable cause”, as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.”

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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

FOR THE STATE OF WASHINGTON

- 1. Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington franchise Investment Protection Act, chapter 19.100 RCW will prevail.
- 2. Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
- 3. Site of Arbitration, Mediation, and/or Litigation.** 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.
- 4. General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
- 5. Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
- 6. Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
- 7. Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
- 8. Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
- 9. Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
- 10. Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
- 11. Franchisor's Business Judgement.** Provisions in the franchise agreement or related

agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

- 12. Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
- 13. Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
- 14. Noncompetition Covenants.** 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 provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.
- 15. Nonsolicitation Agreements.** 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.
- 16. Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
- 17. Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).
- 18. Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

FOR THE STATE OF WISCONSIN

Item 17 of the disclosure document is supplemented by the following:

For franchisees subject to the Wisconsin Fair Dealership Law, Ch. 135, Stats., provisions in the Fair Dealership Law supersede any inconsistent provisions of the Franchise Agreement or a related contract.

EXHIBIT C
FRANCHISE AGREEMENT



FRANCHISE AGREEMENT

**ARWA COFFEE FRANCHISING LLC
FRANCHISE AGREEMENT**

SUMMARY PAGE

EFFECTIVE DATE: _____

FRANCHISEE(S): _____

ADDRESS FOR NOTICES: _____

TELEPHONE NUMBER: _____

EMAIL ADDRESS: _____

DESIGNATED MANAGER: _____

LOCATION NAME: _____

INITIAL FRANCHISE FEE: ~~\$39,500~~\$35,000

ROYALTY FEE: ~~54~~% of your Gross Sales

BRAND DEVELOPMENT FEE: ~~21~~% of your Gross Sales

LOCAL MARKETING: 1% of your Gross Sales

TECHNOLOGY FEE: \$100 per month

TRANSFER FEE: \$10,000

RENEWAL FEE: 50% of then -current Initial Franchise fee

**FRANCHISOR ADDRESS
FOR NOTICES:**

ARWA COFFEE FRANCHISING LLC
~~616 Business Parkway~~
~~Richardson~~1300 N Interstate 35, Suite 100
Carrollton, TX 7508175006
Attention: President

**ARWA COFFEE FRANCHISING LLC
FRANCHISE AGREEMENT**

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<u>Attachment 1</u>	Ownership Information
<u>Attachment 2</u>	Location Acceptance Letter
<u>Attachment 3</u>	Guaranty and Non-Compete Agreement
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<u>Attachment 6</u>	Confidentiality
<u>Attachment 7</u>	State Specific Addenda to the Franchise Agreement

FRANCHISE AGREEMENT

This Arwa Coffee Franchising LLC Franchise Agreement (“**Agreement**”) is made and entered into as of the Effective Date reflected in the Summary Page by and between Arwa Coffee Franchising LLC, a Texas limited liability company (“**Franchisor**” or “**us**”), and the franchisee identified in the Summary Page (“**Franchisee**” or “**you**”).

RECITALS

A. Franchisor has acquired the license to use and to sublicense the use of a distinctive system relating to the establishment and operation of a dine-in and carry-out premium coffee shop experience, featuring signature coffee prepared in the Yemeni coffee tradition; espressos, cappuccinos, lattes, and teas flavored with our custom spices; pastries and other baked goods; and sale of branded merchandise, whole bean coffee products, and other products as Franchisor may designate from time to time, in a welcoming café-style atmosphere with distinctive interior design elements (“**System**”).

B. The distinguishing characteristics of the System include, without limitation, distinctive interior and exterior design, decor, color scheme, graphics, fixtures and furnishings, proprietary ordering procedures; Franchisor’s proprietary products, special recipes and menu items, merchandise, and offerings which incorporate Franchisor’s trade secrets and proprietary information; proprietary food and beverage preparation techniques and presentation standards; proprietary coffee beans and other food products; community and social networking presence and protocols; standards, specifications, policies, and procedures for operations; quality and uniformity of the products and services offered; procedures for inventory, management, and financial control; training and assistance; advertising and promotional programs; and other standards, specifications, techniques, and procedures that Franchisor designates for developing, operating, and managing a Arwa Coffee business, all of which Franchisor may change, improve, and further develop from time-to-time at Franchisor’s sole discretion (collectively, “**Standards**”).

C. The System is identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the mark “ARWA”, “ARWA YEMENI COFFEE”, “ARWA COFFEE” and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System (“**Marks**”).

D. Franchisee has applied to Franchisor for a right to franchise and operate an Arwa Coffee Shop using the System and Marks (“**Coffee Shop**” or “**Franchised Business**” or “**Business**”), and Franchisor has approved Franchisee’s application and desires to grant Franchisee such franchise, all pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration for the promises and other good and valuable consideration contained in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1. DEFINITIONS

“**Action**” means any action, suit, proceeding, claim, demand, governmental investigation, governmental inquiry, judgment or appeal thereof, whether formal or informal.

“**Approved Vendor**” means a supplier, vendor, or distributor of Inputs which has been approved by the Franchisor.

“**Brand Development Fee**” means the fee established (or which may be established) by the Franchisor into which Brand Development Fee Contributions are deposited, the amount as specified in the Summary Page of this Agreement.

“**Coffee Shop**” or “**Franchised Business**” or “**Business**” means the Arwa Coffee Shop owned by Franchisee and operated under this Agreement.

“**Competitor**” means any business which offers products or services similar to those offered by the Coffee Shop.

“**Confidential Information**” means all trade secrets, the Standards, and other elements of the System; all customer information; customer list~~(s)~~, all information contained in the Operations Manual; Franchisor’s proprietary beverage and food recipes, spice blends, and standards and specifications for product preparation, packaging and service; financial information; marketing data; vendor and supplier information; intellectual property, inventions, copyrighted materials, methods, architectural plans, Coffee Shop design layout, color schemes, business records and plans, technical data, product ideas, contracts, financial information, pricing structure, discounts, computer programs and listings, source codes, object codes, sales leads, strategic alliances, partners, customers and client and supplier lists, all other knowledge, trade secrets, or know-how concerning the methods of operation of the Coffee Shop which may be communicated to Franchisee, list of the names, addresses and other information regarding Franchisee’s current clients, former clients, and those who have inquired about the Services or of which Franchisee may be apprised, by virtue of its operation under the terms of the Franchise Agreement, and all other information that Franchisor designates.

“**Designated Area**” Determined in accordance with Section 2.2 and defined in Attachment 2.

“**Franchise Agreement**” means the form of agreement prescribed by Franchisor and used to grant to its franchisees the right to own and operate a single Coffee Shop, including all attachments, exhibits, riders, guarantees, or other related instruments, all as amended from time to time.

“**Gross Sales**” Gross Sales is the total Selling Price of all services and products and all income of every other kind and nature related to the Coffee Shop, including income related to catering operations and special events and the full value of beverages or meals provided to Franchisee’s bona fide employees as a benefit of their employment (except Franchisee may deduct from Gross Sales the value of any employee discounts that are given during the week in which the food and beverages are provided), whether for cash or credit and regardless of collection in the case of credit. Gross Sales does not include (a) receipts from any public telephone, vending machine, or video games installed in the Coffee Shop, except for Franchisee’s share of the revenues; (b) sales (or similar) taxes that Franchisee collects from Coffee Shop customers if such taxes are transmitted to the appropriate taxing authority(ies); (c) proceeds from isolated sales of trade fixtures that are not part of the products and services offered at the Coffee Shop and that do not have any material effect on the operation of the Coffee Shop; (d) tips or gratuities paid directly by Coffee Shop customers to Franchisee’s employees or paid to Franchisee and then turned over to employees by in lieu of direct tips or gratuities; or (e) returns to shippers or manufacturers; and (f) amounts paid to, collected by, or shared with third-party food ordering and delivery systems with which we allow the Coffee Shop to do business, including but not limited to UBER EATS, DOORDASH, and FAVOR. Gross Sales also does not include proceeds from the sale of gift certificates or stored value cards, but it does include the redemption value of gift certificates and stored value cards at the time purchases are made. Franchisee is responsible for the accurate reporting of gift certificate and stored value card sales and the corresponding impact on Gross Sales. Franchisee has until 30 days after the end of Franchisor’s fiscal year to notify Franchisor of any errors Franchisee made in calculating Gross Sales as those errors relate to the reporting of gift certificate and stored value card sales. “**Selling Price**” is defined as the non-discounted, regular menu price.

“**Input**” means any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Business.

“**Location**” means the physical location stated on Attachment 2 as determined in accordance with Section 6.1.

“**Losses**” includes (but is not limited to) all losses; damages; fines; charges; expenses; lost profits; reasonable attorneys’ fees; travel expenses, expert witness fees; court costs; settlement amounts; judgments; loss of an Arwa Coffee Franchise’s reputation and goodwill; costs of or resulting from delays; financing; costs of advertising material and media time/space and the costs of changing, substituting or replacing the same; and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

“**Operations Manual**” means the compilation of information and knowledge that is necessary and material to the System. The term “Operations Manual,” as used in this Agreement, includes all publications, materials, drawings, memoranda, video and audio files, regardless of form, and other electronic files that Franchisor from time to time may loan or otherwise make available to Franchisee. The Operations Manual may be supplemented or amended from time to time by any written communication or directive or other method of delivery concerning the System to reflect changes in the image, specifications, and standards relating to developing, equipping, furnishing, and operating the Coffee Shop, and each such communication will be considered part of the Operations Manual.

“**Marks**” means certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the mark “ARWA COFFEE”, “ARWA”, and/or “ARWA YEMENI COFFEE” and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System.

“**Owner**” means each person or entity which directly or indirectly owns or controls any equity of Franchisee. If Franchisee is an individual person, then “Owner” means Franchisee.

“**Principals**” includes, collectively and individually, Franchisee’s spouse, all officers and directors of Franchisee (including the officers and directors of any general partner of Franchisee) whom Franchisor designates as Franchisee’s Principals, Franchisee’s General Manager, if applicable, and all holders of a direct or indirect ownership interest in Franchisee and of any entity directly or indirectly controlling Franchisee.

“**Remodel**” means a refurbishment, renovation, and remodeling of the Location to conform to the building design, exterior facade, trade dress, signage, fixtures, furnishings, equipment, decor, color schemes, presentation of the Marks, and other System Standards in a manner consistent with the image then in effect for a new Arwa Coffee business.

“**Reserved Area**” means the enclosed area of retail sales establishments, including without limitation, shopping malls, grocery stores, and retailers that are part of regional or national chains; food courts; airports; hospitals; cafeterias; commissaries; schools, colleges, and universities; hotels; office buildings; stadiums; arenas; ballparks; convention centers; festivals; fairs; military bases; museums, train stations and other mass gathering locations or events. Reserved Areas also is any facility for which food and/or beverage service rights are contracted to a third party or parties (including designated roadways and adjacent facilities).

“**Required Vendor**” means a supplier, vendor, or distributor of Inputs which the Franchisor requires franchisees to use.

“**Site Selection Area Name,**” shall mean the general identifying name for the Franchisee’s Site Selection Area, and does not endow any greater area than the Site Selection Area map identified in Attachment 2.

“**System Standards**” means, as of any given time, the then-current mandatory procedures, requirements, and/or standards of the System as determined by an Arwa Coffee franchise, which may include without limitation, any procedures, requirements and/or standards for appearance, business metrics, cleanliness, customer service, design (such as construction, decoration, layout, furniture, fixtures and signs), equipment, inventory, marketing and public relations, operating hours, presentation of Marks, product and service offerings, quality of products and services (including any guaranty and warranty programs), reporting, safety, technology (such as computers, computer peripheral equipment, smartphones, point-of-sale systems,

back-office systems, information management systems, security systems, video monitors, other software, backup and archiving systems, communications systems (including email, audio, and video systems), payment acceptance systems, and internet access, as well as upgrades, supplements, and modifications thereto), uniforms, and vehicles.

“**Transfer**” as a verb means to sell, assign, give away, transfer, pledge, mortgage, or encumber either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings) any interest in this Agreement, the License, the Store, substantially all the assets of the Store, or in the ownership of the franchisee (if you are an Entity). “Transfer” as a noun means any such sale, assignment, gift, transfer, pledge, mortgage or encumbrance.

ARTICLE 2. GRANT OF LICENSE

2.1 Grant. Franchisor hereby grants Franchisee the right to develop and continuously operate a Coffee Shop at the Location identified in Attachment 2, to deliver authorized products to locations in accordance with the Standards (which may include distance or area restrictions), and to use the Marks in the operation and promotion of the Coffee Shop. If no Location has been selected and approved as of the effective date of this Agreement, then the parties will determine the Location in accordance with Section 6.1. Franchisee hereby undertakes the obligation and agrees to continually operate the Coffee Shop during the Term hereof and strictly according to the terms and conditions of this Agreement. This Agreement does not grant to Franchisee any rights, among others: **(a)** to sublicense the use of the System or Marks; **(b)** to co-brand with another concept or brand; **(c)** to offer or sell products or services at or from any location other than the Franchised Location (such as from a cart, kiosk, or food truck); **(d)** to ship Arwa Coffee products, regardless of the destination; or **(e)** distribute Arwa Coffee products through other channels, such as supermarkets, convenience stores or other retailers, or other food service providers.

2.2 Designated Area. Upon Franchisee’s acquisition of the Location for the Coffee Shop, Franchisor will amend Attachment 2 to include the Location and a description of the Designated Area surrounding the Location or will memorialize such information in another form of written communication, signed by Franchisor and Franchisee. Provided that Franchisee is in full compliance with this Agreement and any other agreement between Franchisee and Franchisor or its Affiliates, then, except as otherwise expressly provided in this Agreement and rights reserved by the Franchisor, neither Franchisor nor any Affiliate of Franchisor will establish, or authorize any person or entity other than Franchisee to establish, a Coffee Shop that is the same model as the one operated by Franchisee under this Agreement in the Designated Area during the Term of this Agreement.

2.3. Retained Rights. The rights granted to Franchisee under this Agreement are nonexclusive, and Franchisor and its Affiliates have and retain all rights within and outside the Designated Area, except those expressly granted to Franchisee in the Agreement. Accordingly, Franchisor, its Affiliates, and any other authorized person or entity will have the right, among others, **(a)** to operate, and license others to operate an Arwa Coffee Shop business at any location outside the Designated Area and in any Reserved Area (whether located inside or outside the Designated Area), including Arwa Coffee Shops that are adjacent to or surrounded by the Designated Area **(b)** to advertise and promote the System in the Designated Area **(c)** to operate, and license others to operate, an Arwa Coffee Shop at any locations in any Reserved Area, including Reserved Areas that are in the Designated Area **(d)** to operate, and license others to operate, other coffee shops, ghost kitchens, or other food service businesses utilizing trademarks other than ARWA COFFEE inside and outside the Designated Area and in any Reserved Area (whether located inside or outside the Designated Area and **(e)** to engage, directly or indirectly, at wholesale, retail, or otherwise, in the production, distribution, license, and sale of any and all food, beverages, or other services and products, under the Marks or under other names or marks through any method of distribution, other than an Arwa Coffee business, regardless of the competitive impact, and including, but not limited to, from vending

machines and kiosks, food trucks, grocery stores, and other food retailers and through mail order catalogs and the Internet, regardless of the proximity to, or the competitive impact on, Coffee Shops developed by Franchisee. The Franchisor shall operate or license others to operate a Ghost Kitchen inside of the Designated Area or Reserved Area with Franchisee's prior written consent; however, if such a Ghost Kitchen exists in the Designated Area or Reserved Area at the time of execution of this Agreement, then Franchisee's consent is deemed to have been provided and cannot be revoked. Franchisee understands and acknowledges that, at any time, the Franchisor may develop or authorize someone other than Franchisee to develop and operate an Arwa Coffee Shop in the Reserved Area within the Designated Area. Further, the Franchisor may sell within the Designated Area any products and services that are authorized for sale at an Arwa Coffee business, as well as other products and services, under the Marks or other trademarks, service marks, and commercial symbols, provided that such sales are through dissimilar channels, which include, but are not limited to, grocery and other retail stores (including supermarkets), motor vehicles (such as food trucks), the internet, satellite locations, sales or mail order catalogs, temporary locations, carts or kiosks, or through other electronic, internet, or print media. Franchisor reserves the right to provide temporary off-site services for parties, festivals, or other short-term activities ("Short-Term Events") not to exceed two (2) weeks in duration whether inside or outside your Designated Area. Franchisor may offer to allow you to host these Short -Term Events.; however, Franchisor reserves the right to allow another franchisee to provide these services. "Reserved Area" means the enclosed area of retail sales establishments, including without limitation, shopping malls, grocery stores, and retailers that are part of regional or national chains; food courts; airports; hospitals; cafeterias; commissaries; campuses of schools, colleges, and universities; hotels; office buildings; stadiums; arenas; ballparks; festivals; fairs; military bases; public transportation facilities, government facilities, and other mass gathering locations or events which may fall in your Designated Area.

2.4 Limit on Sales. Franchisee's rights hereunder shall be limited to offering and selling products at the Coffee Shop, and only to retail customers of the Coffee Shop for (a) customer consumption at the premises of the Coffee Shop at the Approved Location (the "**Location**"), (b) customer carry-out consumption of products sold at the Coffee Shop, and (c) off-Location delivery or off-Location catering activities; provided that all such activities shall be conducted only in accordance with the requirements of this Agreement and the procedures set forth in the Manuals (as defined in Article 7) and all applicable laws. Franchisee expressly acknowledges that it may engage in off-Location delivery or off-Location catering activities in accordance with such specific programs, policies, terms, and conditions as Franchisor may from time to time establish. Franchisee shall not, without the prior written approval of Franchisor, engage in any other type of sale of, or offer to sell, or distribution of products, including, but not limited to: selling, distributing or otherwise providing, any products to third parties at wholesale, or for resale or distribution by any third party; and selling, distributing or otherwise providing any products through catalogs, mail order, toll free numbers for delivery, or electronic means (e.g., the Internet).

2.5 Franchisee Control. Franchisee represents that Attachment 1 (i) identifies each owner, officer and director of Franchisee entity, and (ii) describes the nature and extent of each owner's interest in Franchisee entity. If any information on Attachment 1 changes (which is not a Transfer), Franchisee shall be obligated and solely responsible for notifying the Franchisor within 10 days of such change.

2.6 Designated Manager. Franchisee agrees that the person designated as the "Designated Manager" on the Summary Page is the executive primarily responsible for the Business and has decision-making authority on behalf of Franchisee. The Designated Manager does not have to serve as a day-to-day general manager of the Business, but the Designated Manager must devote substantial time and attention to the Business. If the Designated Manager dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to be the executive primarily responsible for the Coffee Shop, Franchisee shall promptly designate a new Designated Manager, subject to Franchisor's reasonable approval.

2.7 Guaranty. If Franchisee is an entity, then Franchisee shall have each Owner sign a personal guaranty of Franchisee's obligations to Franchisor, in the form of Attachment 3.

2.8 No Conflict. Franchisee represents to Franchisor that Franchisee and each of its Owners (i) are not violating any agreement (including any confidentiality or non-competition covenant) by entering into or performing under this Agreement, (ii) are not a direct or indirect owner of any Competitor, and (iii) are not listed or “blocked” in connection with, and are not in violation under, any anti-terrorism law, regulation, or executive order.

2.9 Sub-franchising/Agents. Franchisee shall not sublicense or attempt to sublicense the use of the System or Marks to any person or entity.

2.10 Territorial Restriction. Franchisee shall target and direct the marketing to customers located primarily within the Designated Area. Marketing outside Franchisee’s Designated Area may occur only with Franchisor’s prior written consent, which consent may be given, conditioned or withdrawn in Franchisor’s sole and absolute discretion. Franchisee shall never target and direct market or make sales inside another franchisee’s designated area or within a Franchisor’s affiliate owned location. Franchisee shall only offer and sell approved products and services from the Coffee Shop located within the Designated Area and, only to retail customers. On a case by case basis, Franchisor may at its own discretion authorize other sales, such as sales resulting from a sponsored event/team building exercise where the company has previously paid. Franchisee shall obtain prior written approval before solicitation or acceptance of orders from consumers outside of the Designated Area, for which approval may be withheld at our sole discretion. If such request is granted, Franchisor reserves the right to terminate such approval upon written notice to the Franchisee; such notice may be in a form of an electronic communication, in which case the Franchisee must immediately cease soliciting or accepting orders from consumers outside of the Designated Area. We reserve the right to control all internet-based marketing and social media accounts.

2.11 National Account.

Franchisor also reserves the right, to enter into agreements with specific regional or national customers in order to establish a National Account, in any area, including in the Designated Area. If we establish a National Account in Franchisee’s Designated Area, Franchisee agrees to service the National Account under the same terms, pricing, and provisions negotiated for the National Account. Under certain circumstances if Franchisor determines in our sole discretion that Franchisee is not capable of servicing the National Account, or if the volume of services exceed demand at the time, Franchisor may authorize other ARWA franchisees or other qualified third-parties to provide the services.

ARTICLE 3. TERM

3.1 Term. Unless sooner terminated as provided in this Agreement, the term of this Agreement (“**Term**”) will begin on the Effective Date and will continue for the period of 10 years.

3.2 Successor Agreement. Subject to the conditions below, Franchisee has the right to obtain a successor franchise at the expiration of the Term of this Agreement by entering into Franchisor’s then-current franchise agreement with Franchisor. Franchisee’s right to a successor franchise is limited to two additional, consecutive terms of five (5) years. Your failure to exercise the first renewal right, will serve as a waiver of all other renewal rights. To qualify for a successor franchise, each of the following pre-conditions shall have been fulfilled and remain true as of the last day of the Term of this Agreement:

- i. Franchisee has, during the entire term of this Agreement, fully complied with all provisions of this Agreement;
- ii. Franchisee has updated, remodeled, and refurbished the Coffee Shop signage, and equipment, to reflect Franchisor’s then-current standards and specifications applicable to new franchisees;
- iii. Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor (or any Affiliate), and has timely met these obligations throughout the term of this Agreement

- including payment of the Renewal Fee as specified on the Summary Page of this Agreement;
- iv. Franchisee is not in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor or its Affiliate;
 - v. Franchisee has given written notice of its intent to operate a successor franchise to Franchisor not less than 90 days nor more than 180 days prior to the end of the term of this Agreement, and paid the Renewal Fee;
 - vi. Franchisee has executed Franchisor's then-current form of franchise agreement (or has executed other documents at Franchisor's election that modify this Agreement to reflect the fact that the Franchise Agreement relates to the grant of a successor franchise), which franchise agreement shall supersede this Agreement in all respects, and the terms of which may materially differ from the terms of this Agreement by requiring, among other things, a different percentage Royalty Fee or Brand Development and marketing fees; provided, however, that Franchisee shall not be required to pay the then-current Franchise Fee;
 - vii. Franchisee has complied with Franchisor's then-current qualifications for a new franchisee and has agreed to comply with any training requirements; and
 - viii. Franchisee has executed a general release, in a form prescribed by Franchisor, of all claims against Franchisor, any Affiliate and against their officers, directors, shareholders, attorneys, managers, members, partners, owners, employees, and agents (in their corporate and individual capacities), except to the extent prohibited by the laws of the state where the Coffee Shop is located.

3.3. Extension of this Agreement. If Franchisee continues to accept the benefits of this Agreement after the expiration of the Initial Term but does not complete the requirements in Section 3.2., then at Franchisor's sole option, this Agreement may be treated as either: (a) expired as of the date of the expiration, and Franchisee will be operating without a franchise or license to do so and in violation of Franchisor's rights to the Marks and System; or (b) continued on a month-to-month basis ("**Interim Period**"), and all of Franchisee's obligations will remain in full force and effect during the Interim Period, as if the Agreement had not expired. For the Interim Period, Franchisee will be required to pay Franchisor 125% of the stated Royalty Fee set forth in Section 4.2. Each Interim Period expires at the end of each calendar month unless this Agreement is continued as set forth in this Section 3.3. The Interim Period does not create any new franchise rights, and upon expiration of the final Interim Period, Franchisee will be bound by all post-term obligations as set forth in this Agreement.

ARTICLE 4. FEES

4.1 Initial Franchise Fee. Upon signing this Agreement, Franchisee shall pay an initial franchise fee in the amount stated on the Summary Page ("**Initial Franchise Fee**"). The Initial Franchise Fee retained shall be specifically understood and agreed by the parties to be in consideration of the services provided, time expended, work performed, and other efforts of the Franchisor up to the date of Franchisee's failure to timely commence operations of the Franchised Business and shall not be construed as nor considered to be a penalty. The Initial Franchise Fee is fully earned upon receipt and not refundable under any circumstances.

4.2 Royalty Fee. Franchisee shall pay to Franchisor without offset, credit or deduction of any nature, an ongoing monthly royalty fee equal to the amount specified in the Summary Page of this Agreement ("**Royalty Fee**") each month or at a lower frequency as specified by the Franchisor in its Operations Manual or other written communication, in its sole discretion. If Franchisor requires Franchisee to pay Royalty Fees through electronic transfer Franchisor may request revenue and sales reports directly from Franchisee from time to time and such reports shall be submitted to Franchisor via e-mail or intranet system or as specified by Franchisor. The Royalty Fee is due on or before the tenth day of each month (unless that day is a weekend

or holiday, then on the business day before) or on another day of the week or month as Franchisor may specify from time to time.

4.3 Other Payments. In addition to all other payments provided for in this Agreement, Franchisee must pay Franchisor and its Affiliates and all of Franchisee's third-party vendors, suppliers, and landlord promptly when due:

(i) All amounts advanced by Franchisor for which Franchisor has paid, or for which it has become obligated to pay on Franchisee's behalf for any reason whatsoever.

(ii) The amount of all sales taxes, use taxes, personal property taxes, and similar taxes, which are or may be imposed upon Franchisee and required to be collected or paid by Franchisee **(a)** because of Franchisee's Gross Sales, or **(b)** because of Initial Franchise Fees, Royalty Fees, or advertising fees (and Franchisee Advertising Co-op dues, if any) collected by Franchisor from Franchisee (but excluding ordinary income taxes). Franchisor, in its discretion, may collect the taxes in the same manner as Royalty Fees are collected and promptly pay the tax collections to the appropriate governmental authority. However, unless Franchisor so elects, it will be Franchisee's responsibility to pay all sales, use, or other taxes now or hereinafter imposed by any governmental authorities on Initial Franchise Fees, Royalty Fees, and advertising fees.

(iii) All amounts due and owing (unless such amount is subject to a bona fide dispute) pursuant to Franchisee's agreements and contracts with all Designated Suppliers and Franchisee's other trade creditors and Franchisee's landlord.

4.4. Technology Fee. The parties acknowledge and agree that the technological environment is rapidly changing and that it is difficult to anticipate the cost of developing, acquiring, implementing, and licensing Internet and communications technologies that may benefit franchisees of the System. Accordingly, in addition to the Royalty Fee, Franchisee shall pay Franchisor Technology Fee in the amount specified in the Summary Page of this Agreement ("**Technology Fee**"). Such Technology Fee is also subject to an annual increase not to exceed 15% of prior year's Technology Fee. Upon the increase, the Franchisor shall indicate the amount of the current Technology Fee in its Operations Manual or other written communication. Franchisor reserves the right to enter into a master license agreement with any software or technology supplier and sublicense the software or technology to the Franchisee. In such case, Franchisor retains the right to charge and Franchisee is obligated to pay all costs incurred by the Franchisor to the licensor plus a reasonable administrative fee. In addition to the Technology Fee, Franchisor reserves the right to require that Franchisee use certain software, which subscription fees may be required to be paid directly to the software service provider.

4.5. Taxes. Franchisee shall pay to Franchisor an amount equal to all sales taxes, excise taxes, use taxes, withholding taxes and similar taxes imposed on the fees payable by Franchisee to Franchisor hereunder. Such taxes may be imposed on services or goods furnished to Franchisee by Franchisor at the same time as Franchisee remits such fees to Franchisor, whether such services or goods are furnished by sale, lease or otherwise; unless the tax is an income tax assessed on Franchisor for doing business in the state where the Coffee Shop is located.

4.6. No Set-Off Rights. Franchisee may not set-off, deduct, or otherwise withhold any fees or other amounts due Franchisor under this Agreement on grounds of alleged nonperformance by Franchisor of any of its obligations or for any other reason. Withholding royalties or any other amounts due Franchisor is a material breach of this Agreement.

4.7. Accounting Period. Franchisor has the right to define applicable accounting periods for purposes of calculating and paying amounts due under this Agreement. Each period, which may be defined in terms of days, weeks, or months, in Franchisor's sole discretion, will be considered an "Accounting Period" for all purposes under this Agreement. Franchisor has the right to change or modify the definition of an Accounting Period, in its discretion, for Franchisor's entire franchise system generally, or for a Franchisee,

specifically, if Franchisee fails to comply with this Agreement. Franchisor will provide Franchisee a minimum of 30 days advance written notice of any change in any Accounting Period.

4.8. Payment Terms and Procedures. All payments required by this Agreement must be paid on the day or date Franchisor specifies (“**Due Date**”). If the Due Date is not a Business Day, then payment will be due on the next Business Day. Franchisor may determine the amount of the Royalty Fee and other amounts due under this Agreement by accessing and retrieving Gross Sales data from Franchisee’s computer system, as permitted by Section 10.1. On each Due Date, Franchisor will transfer from Franchisee’s commercial bank operating account (“**Account**”) the Royalty Fee, Brand Development Fee Contributions, and any other amounts due and owing.

4.9 Replacement / Additional Training Fee. If Franchisee sends a manager or other employee to Franchisor’s training program after opening, Franchisor may charge its then-current training fee. This fee may also apply if Franchisor, in its sole discretion, deems that the Franchisee requires additional training prior to opening. As of the date of this Agreement, the training fee is \$350 per day plus reimbursement of Franchisor’s out of pocket costs and expenses.

4.10 Non-Compliance Fee. Franchisor may charge Franchisee \$500 for any instance of non-compliance with the System Standards or this Agreement (other than Franchisee’s non-payment of a fee owed to Franchisor) for which Franchisee fails to cure after 10 days’ notice. Thereafter, Franchisor may charge Franchisee \$250 per week until Franchisee ceases such non-compliance. This fee is a reasonable estimate of Franchisor’s internal cost of personnel time attributable to addressing the non-compliance, and it is not a penalty or estimate of all damages arising from Franchisee’s breach. The non-compliance fee is in addition to all of Franchisor’s other rights and remedies (including default and termination under Section 14.2).

4.11 Reimbursement. Franchisor may (but is never obligated to) pay on Franchisee’s behalf any amount that Franchisee owes to a supplier or other third party. If Franchisor does so, Franchisee shall pay such amount plus a 10% administrative charge to Franchisor within 15 days after invoice by Franchisor accompanied by reasonable documentation.

4.12 Payment Terms.

(a) Method of Payment. Franchisor requires all Royalty Fees, Brand Development Fees, amounts due for purchases by Franchisee from Franchisor, and other amounts due to Franchisor to be paid through an Electronic Depository Transfer Authorization or as Franchisor may specify from time to time (refer to Attachment 5). Franchisee shall open and maintain a single bank account for all its Coffee Shop transactions, and no other account shall be opened without Franchisor’s written consent. Franchisee shall provide Franchisor with continuous access via electronic transfer to such account for the purpose of paying any payments due to Franchisor. Franchisee shall make deposits to the account sufficient to cover amounts owed to Franchisor prior to the date such amounts are due. Franchisee shall execute any documents Franchisor or Franchisee’s bank requires to establish and implement the Electronic Depository Transfer Account. Once established, Franchisee shall not close the Electronic Depository Transfer Account without Franchisor’s written consent. Franchisor may change the method of payment by providing 30 days’ notice to Franchisee.

(b) Calculation of Fees. Franchisee shall report weekly Gross Sales to Franchisor by Tuesday of the following week. If Franchisee fails to report weekly Gross Sales, then Franchisor may withdraw estimated Royalty Fees and Brand Development Fees equal to 125% of the last Gross Sales reported to Franchisor. The parties will true-up the actual fees after Franchisee reports Gross Sales. Franchisee acknowledges that Franchisor has the right to remotely access Franchisee’s point-of-sale system to calculate Gross Sales.

(c) **Late Fees and Interest.** If Franchisee does not make a payment on time, Franchisee shall pay a \$100 late fee plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law). Acceptance of a late payment shall not constitute an agreement by Franchisor to accept any payments after the due date or a commitment by Franchisor to extend credit to or otherwise finance Franchisee nor will it release franchisee of its obligations under the terms of the Franchise Agreement, including the late payment constituting default of the Franchise Agreement.

(d) **Insufficient Funds.** Franchisor may charge \$30 for any payment returned for insufficient funds (or, if such amount exceeds the maximum allowed by law, then the fee allowed by law).

(e) **Costs of Collection.** Franchisee shall repay any costs incurred by Franchisor (including reasonable attorney fees) in attempting to collect payments owed by Franchisee.

(f) **Application.** Franchisor may apply any payment received from Franchisee to any obligation and in any order as Franchisor may determine, regardless of any designation by Franchisee.

(g) **Obligations Independent; No Set-Off.** The obligations of Franchisee to pay to Franchisor any fees or amounts described in this Agreement are not dependent on Franchisor's performance and are independent covenants by Franchisee. Franchisee shall make all such payments without offset or deduction.

4.13 Default Fee. If you are in default under this Agreement, at our discretion, and without waiver of any of our rights under this Agreement, we may impose a fee ("Default Fee") in an amount up to \$1,500 per event of default, plus the cost of re-inspections and the cost incurred by enforcing compliance. You must pay the Default Fee within 3 days of our demand.

ARTICLE 5. TRAINING AND ASSISTANCE

5.1 Pre-Opening Assistance. In addition to the site selection assistance described in Section 6.1, Franchisor will provide pre-opening consultation and advice as Franchisor deems appropriate by telephone or other remote means; this may include advice regarding site development and build-out, training, purchasing and inventory control, and such other matters as Franchisor deems appropriate. If Franchisee requests on-site assistance, or if Franchisor deems on-site assistance necessary, Franchisor may at its sole discretion provide such service, and upon which, the Franchisee must reimburse Franchisor the costs of transportation, lodging, and meals for the individual(s) providing such on-site assistance. If requested by Franchisee, Franchisor may review and advise on Franchisee's pre-opening business plan and financial projections. **Franchisee acknowledges that Franchisor accepts no responsibility for the performance of the Coffee Shop.**

5.2. Initial Training. If this is Franchisee's first Coffee Shop, before the Opening Date of the Coffee Shop, Franchisor shall provide standard pre-opening training to the Designated Manager and up to 2 other employees, at Franchisor's headquarters and/or any other location as designated by the Franchisor. The Designated Manager and up to two employees must attend and complete, to Franchisor's satisfaction, Franchisor's then-current initial training program. The initial training program is provided at no charge for up to 5 individuals including the Designated Manager and will take place at a location and time that Franchisor designates. At Franchisee's request, Franchisor may permit additional individuals to attend initial training, subject to space availability. If Franchisee desires to have additional personnel participate in the training program, Franchisor may provide initial training to such additional personnel at any of our scheduled initial training courses at our then-current fee upon commencement of the training program. Franchisee is responsible for all costs and expenses of complying with Franchisor's training requirements

including, without limitation, wages, travel, lodging, and dining costs for all of Franchisee's employees who participate in the training. Franchisor reserves the right to modify the initial training program, at Franchisor's sole discretion. Franchisee is responsible for its own travel, lodging, meals, and other out-of-pocket expenses for its personnel attending the training. Franchisor reserves the right to vary the length and content of the initial training program based on the experience and skill level of any individual attending the program.

5.3. Opening Assistance. In conjunction with the beginning of operation of the Coffee Shop, Franchisor shall make available to Franchisee, at Franchisor's expense, one of Franchisor's representatives in person or virtually (at the sole discretion of the Franchisor) who is experienced in the System (i) for the purpose of familiarizing Franchisee's staff with the Arwa Coffee techniques, and (ii) for the purpose of providing general assistance and guidance in connection with the opening of the Coffee Shop. If Franchisee requests additional assistance with respect to the opening or continued operation of the Coffee Shop, and should Franchisor deem it necessary and appropriate in its sole discretion, Franchisee shall pay Franchisor's then-current rates, plus expenses, for such additional assistance.

5.4. Additional and/or Remedial Training.

5.4.1. Franchisee will cause its Designated Manager, and other employees that Franchisor designates to attend such additional courses, seminars, and other training programs which may be offered in various formats, including but not limited to: third-party providers, online training, regional meetings or seminars, traditional classroom training, and/or programs offered at Franchisor's Conference. Franchisor or third-party providers may charge tuition for such additional courses, seminars, or other training programs, and Franchisee is responsible for all training-related costs and expenses including, without limitation, tuition or attendance fees, salary, travel, lodging, and dining costs for all of Franchisee's attendees who participate in the training.

5.4.2. At any time during the Term of this Agreement, if Franchisee requests, or if Franchisor determines in its sole discretion it is necessary, Franchisor will provide Franchisee on-site remedial training, subject to the availability of Franchisor's personnel. If such remedial training occurs, Franchisee will pay Franchisor its then-current fee for on-site remedial training and pay or reimburse Franchisor for the expenses incurred by Franchisor's representatives, including the costs of travel, lodging, and meals. The Designated Manager shall use reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls) that Franchisor requires, including any national or regional brand conventions. Franchisee shall not permit the Designated Manager to fail to attend more than three consecutive required meetings.

5.5 Post-Opening Assistance.

(a) Advice, Consulting, and Support. If Franchisee requests, Franchisor will provide advice to Franchisee (by telephone or electronic communication) regarding improving and developing Franchisee's business, and resolving operating problems Franchisee encounters, to the extent Franchisor deems reasonable.

(b) Pricing. Upon request, Franchisor will provide recommended prices for products and services offered by franchisees of the System to the extent required by law.

(c) Procedures. Franchisor will provide Franchisee with Franchisor's recommended administrative, bookkeeping, accounting, and inventory control procedures. Franchisor may make any such procedures part of required (and not merely recommended) System Standards.

(d) **Marketing.** Franchisor shall manage the Brand Development Fee. See Article 9 for more details.

(e) **In-Person Support Fee.** If Franchisor provides in -person support to Franchisee in response to your request, Franchisor may charge our then-current In-Person Support Fee plus any out of pocket expenses (such as travel, lodging, and meals) for such persons providing in-person support.

5.6 On-Site Training Cancellation Fees. If Franchisor or its representative is scheduled to conduct an on-site training program, or scheduled for a visit at the Franchisee’s location for training or other reasons, or if the Franchisee registers for a training program and Franchisee subsequently cancels, fails to attend, fails to have the appropriate parties attend, or fails to stay for the entire training program, then Franchisee shall pay the Franchisor their then-current on-site training cancellation fee (the “On-Site Training Cancellation Fee”). The On-Site Training Cancellation Fee may vary depending upon the type of scheduled training program and how far in advance you notify the Franchisor in writing of the cancellation and the cost and expense incurred in rescheduling our travel arrangements.

5.7 Nature and Assistance of Training. Franchisee agrees that Franchisor is not obligated to provide any training or assistance to Franchisee’s particular level of satisfaction, but as a function of Franchisor’s experience, knowledge, and judgment. Franchisee also acknowledges that Franchisor is not obligated to provide any services to Franchisee that are not set forth in this Agreement. If Franchisee believes the Franchisor has failed to adequately provide any pre-opening services to the Franchisee or to its employees, whether with respect to site selection, selection and purchase of equipment and supplies, training, or any other matter affecting the establishment of Franchisee’s Arwa Coffee franchise, Franchisee must immediately notify the Franchisor in writing within thirty (30) days following the opening of Franchisee’s Arwa Coffee franchise; or the Franchisee will be deemed to conclusively acknowledge that all pre-opening and opening services required to be provided by the Franchisor were sufficient and satisfactory in Franchisee’s judgment, and complied with all representations made to the Franchisee.

5.8 ~~5.8~~ Delegation of Performance. Franchisee agrees that Franchisor has 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 Franchisor contracts to perform these obligations.

5.9 Annual Conference: While Franchisor is not obligated, from time to time, Franchisor may offer conferences and other training courses relating to the industry and to the conduct of the Arwa System. You shall send at least one representative from your Franchised Business to our Annual Conference and any other trainings as we require. These courses may be conducted by Franchisor’s employees and/or by other trainers and will address various aspects of our business and other topics of interest to you or to the Franchisor at Franchisor’s sole and absolute discretion. You specifically acknowledge and agree that the Franchisor has the right to charge you an Annual Conference Fee, currently \$0 but upon a thirty-day written notice to you up to \$1,000 per person, whether the attendee attends the conference, convention, or training courses. This fee is payable by you even if you fail to attend the Arwa convention. This fee will be billed and collected in the same manner as the Royalty Fee (through EFT) upon thirty-days’ notice to you or any other time Franchisor deems appropriate prior to the conference, and is non-refundable under any circumstances. Additionally, you will be responsible for all transportation, lodging, food, and other costs incurred by you or your manager in attending such conference.

ARTICLE 6. SITE SELECTION, LOCATION, DEVELOPMENT, AND OPENING

6.1 Determining Location and Designated Area. If the Location and Designated Area are not determined by the Effective Date, then:

(i) Franchisee must identify a site for the Coffee Shop within the Site Selection Area and submit to Franchisor a site approval request packet, as set forth in Section 6.2 below. Otherwise, Franchisee must identify a site within the non-exclusive Site Selection Area set forth in Attachment 2. The site must meet Franchisor's then-current site selection criteria and must otherwise be mutually acceptable to Franchisor and Franchisee. Franchisee acknowledges and agrees that it acquires no rights in and to the Site Selection Area, other than the right to select a site for the Coffee Shop from within its boundaries, and, without limitation of the foregoing, Franchisee has no exclusivity rights in the Site Selection Area. Franchisee further acknowledges and agrees that the Site Selection Area excludes any Reserved Area, any existing Site Selection Area of another Coffee Shop franchisee, and any designated area of any other Coffee Shop franchisee, which may be designated after the execution of this Agreement and which may be within the Site Selection Area.

(ii) Within 180 days after the Effective Date, Franchisee shall obtain approval from Franchisor for the proposed Location within the Site Selection Area described in Attachment 2. Franchisee shall submit its proposed Location to Franchisor for acceptance, with all related information Franchisor may request, including the lease and lease rider, attached hereto as Attachment 5. If Franchisor does not accept the proposed Location in writing within 30 days, then it is deemed rejected. Upon Franchisor's approval of the Location, Attachment 2 shall be amended to define the Designated Area around the Location, and Franchisee forfeits any rights to the Site Selection Area.

(iii) Franchisor may conduct on-site site selection evaluations, provide geographic market data, or lease availability on its own initiative or in response to Franchisee's reasonable request, if deemed necessary by Franchisor, but Franchisor will not provide assistance or consider a request for an on-site evaluation until all information and materials have been received as described in Section 6.2. below. If Franchisor conducts an on-site evaluation of a proposed site(s) or provides in-person site selection assistance, Franchisee must reimburse Franchisor its related out-of-pocket costs, including the costs of all transportation, lodging, and meals. Ultimately, site selection is solely Franchisee's responsibility.

6.2. Franchise Site Application. For each proposed site that Franchisee identifies, Franchisee must deliver to Franchisor in the form specified by Franchisor, a description of the site, satisfactory evidence demonstrating that the site satisfies Franchisor's site selection guidelines, and such other information and materials as Franchisor may reasonably require, including, but not limited to, copies of a proposed lease or a contract of sale for the site. If Franchisor requires the generation of a site evaluation report, Franchisor will pay for a total of one site evaluation report, which such report may be administered by Franchisor or a third-party provider. Franchisee will be required to pay Franchisor the costs Franchisor incurs for each additional site evaluation report required by Franchisor or requested by Franchisee. Within 30 days of receiving Franchisee's site application and all additional requested information, Franchisor will notify Franchisee whether or not the site is approved. If Franchisor does not provide notification within the 30-day time frame, the site is deemed rejected. Franchisor's approval of a site does not constitute a representation, promise, warranty, or guarantee, express or implied, that the Coffee Shop will achieve a certain sales volume or level of profitability or will otherwise be successful; it means only that the proposed site meets Franchisor's minimum criteria for the Coffee Shop. Once Franchisee's site is approved, Franchisor is not responsible for any construction delays due to change orders, events of Force Majeure, disputes with landlords, architects, contractors, subcontractors, or any other vendor, or due to any other action or reason occurring during build-out of the Coffee Shop.

6.3 Lease. In connection with any lease between Franchisee and the landlord of the Location: when the Franchisor accepts the Location, it shall issue a Location Acceptance Letter in the form of Attachment 2 which states the Location and Designated Area. Unless otherwise specified in the Attachment 2, the Designated Area shall be ~~53~~ 53-mile radius which is a circle having the Coffee Shop's front entrance as its center point. If Franchisee occupies the Coffee Shop under a lease, Franchisor has the right to approve the lease terms, and Franchisee must not sign the lease until Franchisor has approved its terms. Franchisor's approval of a lease does not mean that the economic terms of the lease are favorable; it means only that the

lease contains the lease terms that Franchisor requires. The lease also must contain the terms reflected in the Lease Rider, which is attached hereto as Attachment 5. Franchisee must deliver to Franchisor a fully-executed copy of the lease or contract for sale within 10 days after its execution.

6.4 Coffee Shop Design and Build-Out

(i) Franchisor may provide their standard building plans and specifications or recommended floor plans and required décor. Franchisee must follow Franchisor's procedures for construction and build-out of the Coffee Shop, which include but are not limited to, engaging an architect, design consultant, and/or general contractor that Franchisor specifies. Franchisor will provide a list of its specifications and approved suppliers for equipment, signs, fixtures, opening inventory, and supplies necessary to open your business. If Franchisee requests that Franchisor approve any vendor to provide services required to complete the construction of the Coffee Shop, and such vendor is not on Franchisor's approved vendor list for such services, then Franchisor reserves the right to charge Franchisee for its time and the cost Franchisor incurs to approve and/or train such vendor; this fee is not refundable. Franchisee must construct and build out the Coffee Shop according to Franchisor's Standards and specifications for design, decor, and layout and must equip the Coffee Shop according to Franchisor's requirements for fixtures, furnishings, equipment, interior and exterior signage, decor, trade dress, and awnings, which Franchisor will provide to Franchisee. Franchisor will provide such advice regarding construction and build-out as it deems appropriate, but Franchisee is solely responsible for sourcing, hiring, and paying for the professional services needed to complete Franchisee's Coffee Shop design and build-out obligations. Franchisee is solely responsible for obtaining all government approvals, zoning classifications, permits, licenses, and clearances relating to the Coffee Shop and for complying with applicable requirements of the Americans with Disabilities Act.

(ii) During construction, Franchisee must maintain general liability and property damage insurance of the type and with the limits Franchisor requires, protecting Franchisee and Franchisor and its Affiliates and their respective partners, shareholders, directors, agents, and employees. Such policy or policies must be written by a responsible insurer whom are acceptable to Franchisor and must contain a waiver of subrogation in favor of Franchisor and its Affiliates, and their respective partners, shareholders, directors, agents, and employees. Franchisee must notify Franchisor in writing when construction begins and thereafter must provide progress reports when, and in the form, required by Franchisor.

(iii) During construction, Franchisee must provide Franchisor with such periodic progress reports as Franchisor may reasonably request, including, but not limited to, digital photographs and/or video of the Coffee Shop location and the surrounding area. In addition, Franchisor may make such on-site inspections as it deems reasonably necessary to evaluate such progress; such visits may be through remote or virtual means. Franchisee will notify Franchisor of the scheduled date for completion of construction no later than 21 days prior to such date.

6.5. Relocation. Franchisee will not relocate the Coffee Shop without Franchisor's express prior written consent. If Franchisee is unable to continue the operation of the Coffee Shop at the Location because of the occurrence of an event of Force Majeure (or for other reasons not constituting an event of default under this Agreement), Franchisee may request Franchisor's consent to relocate the Coffee Shop to another location in the Designated Area. Franchisor's approval may not be unreasonably withheld but may be conditioned upon the payment of an agreed upon minimum fee to Franchisor during the period in which the Coffee Shop is not in operation. Selection of the relocation site and Coffee Shop construction, renovation, and opening procedures and timelines will be governed by this Article 6.

6.6 New Franchisee Training. Franchisee's Designated Manager must complete Franchisor's training program for new franchisees to Franchisor's satisfaction at least four weeks before opening the Business.

6.7 Conditions to Opening. Franchisee shall notify Franchisor at least 30 days before Franchisee intends to open the Business to the public. Before opening, Franchisee must satisfy all of the following conditions: (1) Franchisee is in compliance with this Agreement, (2) Franchisee has obtained all applicable

governmental permits and authorizations, (3) the Coffee Shop conforms to all applicable System Standards, (4) Franchisor has inspected and approved the Coffee Shop, (5) Franchisee has hired sufficient employees, (6) Franchisee's officers and employees have completed all of Franchisor's required pre-opening training; (7) Franchisor has given its written approval to open, which will not be unreasonably withheld; and (8) Franchisor has received from Franchisee a signed ACH Authorization (Attachment 4 to the Franchise Agreement).

6.8 Opening Date. Franchisee shall open the Business to the public on or before the date stated in Attachment 2 ("**Opening Date**"). The Opening Date must be no later than 365 days from the Effective Date of the Franchise Agreement. The average number of days to open the Coffee Shop is 180 days from the Effective Date of the Franchise Agreement. If Franchisee is unable to open its Coffee Shop within the required time period, Franchisor may, but is not obligated to, extend the Opening Date deadline in its sole discretion, provided that Franchisee has sent the extension request to Franchisor, in writing, at least 60 days before the expiration of the time period allowed under this Section 6.8. If Franchisee fails to open the Coffee Shop by the Opening Date and/or does not request and/or does not receive an extension as provided for in this Section 6.8, then Franchisor may terminate this Agreement in accordance with Section 14.2. The Opening Date will be reflected in an amendment to Attachment 2 or by any other form of written communication from Franchisor that defines the Opening Date; such Opening Date will dictate for the purpose of this Agreement and will be fully incorporated into this Agreement. Franchisee may open the Coffee Shop for business only with Franchisor's prior, written permission, which will be granted only if: (a) all amounts due Franchisor under this Agreement have been paid, (b) the Coffee Shop has been constructed and equipped according to Franchisor's Standards and specifications, (c) all of Franchisee's pre-opening and training obligations have been satisfied, (d) Franchisor has received from Franchisee a signed ACH Authorization (Attachment 4); (e) Franchisor has received from Franchisee a fully-executed copy of the Coffee Shop lease containing the mandatory lease terms described in Attachment 5, or the contract of sale for the Location; (f) Franchisor has received from Franchisee certificates of insurance as required by Section 7.18; and (g) Franchisee is otherwise in good standing under this Agreement and has met all of Franchisor's pre-opening requirements.

6.8.1 BY VIRTUE OF COMMENCING OPERATIONS OF YOUR ARWA COFFEE SHOP, FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR HAS FULFILLED ALL OF ITS OBLIGATIONS TO FRANCHISEE THAT FRANCHISOR IS REQUIRED TO FULFILL PRIOR TO THE OPENING OF YOUR ARWA COFFEE BUSINESS.

6.9. ADA Certification. At its sole expense, Franchisee shall furnish evidence satisfactory to Franchisor that the Coffee Shop is designed, constructed, and altered in compliance, with the requirements of the Americans With Disabilities Act of 1990, the regulations now or hereafter adopted pursuant thereto, and any and all applicable state or local laws, statutes, ordinances, rules and regulations concerning public accommodations for disabled persons now or hereafter in effect. Franchisee shall indemnify, defend, and hold harmless the Franchisor from and against any and all claims, judgments, damages, penalties, fines, costs, liabilities and losses (including, without limitation, reasonable attorney's fees and disbursements) arising from Franchisee's failure to comply with this obligation.

ARTICLE 7. OPERATIONS

7.1 Compliance with Operations Manual and System Standards. Franchisee shall at all times and at its own expense comply with all mandatory obligations contained in the Operations Manual and with all other System Standards. Franchisee understands and acknowledges that compliance with the System is essential to maintain and enhance the goodwill associated with the Marks and the integrity of the brand. Accordingly, Franchisee will:

(a) Operate the Coffee Shop according to the highest applicable health standards and ratings; timely obtain any and all permits, certificates, or licenses necessary for the lawful operation of the Coffee Shop;

operate the Coffee Shop according to Franchisor's operating methods, Standards, and specifications; and maintain, at all times, a high moral and ethical standard in the operation of the Coffee Shop.

(b) Accept debit cards, credit cards, stored value cards, or other non-cash payment systems and methods that Franchisor specifies periodically and participate in Franchisor's required payment procedures and collection of funds relating thereto. Further Franchisee will acquire and install all necessary hardware and/or software used in connection with these non-cash payment systems and pay the costs associated therewith. The parties acknowledge and agree that protection of customer privacy and credit card information is necessary to protect the goodwill of businesses operating under the Marks and System. Accordingly, Franchisee agrees that Franchisee will cause the Coffee Shop to meet or exceed, at all times, all applicable security standards developed by the Payment Card Industry Data Security Standards (PCI DSS) council or its successor and other regulations and industry standards applicable to the protection of customer privacy and credit card information, including but not limited to the Fair and Accurate Credit Transaction Act (FACTA), and all other data security requirements Franchisor prescribes. Franchisee is solely responsible for educating itself as to these regulations and standards and for achieving and maintaining applicable compliance certifications.

(c) Notify Franchisor in writing within 72 hours of the commencement of any investigation, action, suit, or proceeding or the issuance of any order, writ, injunction, award, or decree of any court, agency, or other government instrumentality, which may adversely affect the operation or financial condition of the Coffee Shop.

(d) Upon the occurrence of a Crisis Management Event, immediately inform Franchisor by telephone, or as set forth in this Agreement, of such event and to cooperate fully with Franchisor and with the appropriate authorities with respect to the investigation of the Crisis Management Event. In an effort to mitigate possible damages to the Marks and System, Franchisee must cooperate fully with Franchisor with respect to managing statements and other responses to the Crisis Management Event. A "Crisis Management Event" means any event that occurs at or about the Coffee Shop location or in connection with the operation of the Coffee Shop that has or may cause harm or injury to customers or employees, such as food contamination, food spoilage/poisoning, food tampering/sabotage, contagious diseases, natural disasters, terrorist acts, shootings or other acts of violence, data breaches, real or threatened, or any other circumstance which may materially and adversely affect the System or the goodwill symbolized by the Marks.

(e) Process and handle all customer complaints connected with or relating to the Coffee Shop and promptly notify Franchisor of all: (i) food related illnesses; (ii) safety or health violations; (iii) claims exceeding \$1,000; and (iv) any other material claims against or losses suffered by the Coffee Shop. Franchisee must maintain all communications with governmental authorities relating to the Coffee Shop during the Term of this Agreement and for one year after the expiration or earlier termination hereof. If any customer of the Coffee Shop contacts Franchisor to report a complaint about Franchisee's Coffee Shop, the parties agree that Franchisor may, in its discretion, compensate the customer in such manner as Franchisor determines appropriate, and Franchisee will reimburse Franchisor the amount of such compensation upon demand by Franchisor.

(f) Attend, and cause your Designated Manager to attend, Franchisor's Conference.

(g) Purchase and use all operations-related programs or materials Franchisor requires, at its sole discretion. If such programs or materials are supplied by third-party vendors, Franchisee will pay all costs and/or fees associated with these programs or materials.

(h) Comply with all laws pertaining to sending emails, including but not limited to the Controlling the Assault of Non-solicited Pornography and Market Act of 2003 (CAN-SPAM Act).

(i) Franchisee will only operate the approved Coffee Shop and no other business from the Location.

(j) The Operations Manual contains Trade Secrets and other Confidential Information of Franchisor and its contents shall be kept confidential by Franchisee both during the term of the Franchise and subsequent to the expiration and non-renewal or termination of this Agreement. Franchisee shall at all times ensure that its copy of the Operations Manual is available at the Franchised Business in a current and up to-date manner. If the Operations Manual is in paper form or stored on computer-readable media, Franchisee shall maintain the Operations Manual in a secure manner at the Franchised Business; if the Operations Manual is in electronic form, Franchisee shall maintain the Operations Manual in a password protected file. Franchisee shall only grant authorized personnel, as defined in the Operations Manual, access to the Operations Manual or any key, combination, or passwords needed for access to the Operations Manual. Franchisee shall not disclose, duplicate or otherwise use any portion of the Operations Manual in an unauthorized manner.

7.2 Designated Manager; General Manager.

(a) Upon the execution of this Agreement, Franchisee must designate, and retain at all times during the Term of this Agreement, an individual to serve as Franchisee's Designated Manager. If Franchisee is an individual or general partnership, the Designated Manager will be the individual Franchisee or one of the general partners. If Franchisee is a Business Entity, the Designated Manager will be an individual with at least a 10% equity interest in the Business Entity. The Designated Manager must have full control over day-to-day Coffee Shop management and operations. Unless a General Manager is appointed, as described below: (a) the Designated Manager must attend and successfully complete Franchisor's initial training program and all additional training that Franchisor requires, to Franchisor's satisfaction; and (b) the Designated Manager must devote his or her full-time efforts to Coffee Shop operations and must not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitment. Franchisor must approve the Designated Manager as meeting its then-current qualifications for such position. If the Designated Manager ceases to serve in, or no longer qualifies for, such position, or transfers his or her equity interest, Franchisee must designate another qualified person to serve as Franchisee's Designated Manager within 30 days after the date the prior Designated Manager ceases to serve or no longer qualifies to serve. Any proposed replacement Designated Manager must successfully complete the initial training program and any other training required by Franchisor and be approved by Franchisor before assuming his or her position as Designated Manager and, in no event, later than 90 days after the previous Designated Manager ceased to serve in such position.

(b) If the Designated Manager will not devote full-time efforts to the management and operation of the Coffee Shop governed by this Agreement then, in addition to the Designated Manager, Franchisee must appoint an individual to serve as its General Manager. Franchisee's General Manager must have full control over day-to-day Coffee Shop management and operations. Franchisee's General Manager need not have an equity interest in the Business Entity, but must have completed Franchisor's initial training program and all additional training that Franchisor requires, to Franchisor's satisfaction. Franchisee's General Manager must devote his or her full-time efforts to Coffee Shop management and operations and must not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitment. If the General Manager ceases to serve in such position, Franchisee must designate another qualified person to serve as its General Manager within 30 days after the date the prior General Manager ceases to serve. Any proposed replacement General Manager must successfully complete the initial training program and any other training required by Franchisor before assuming his or her position

as General Manager and, no later than 90 days after the previous General Manager ceased to serve in such position.

7.3. Customer Service; Uniforms. Franchisee must maintain a competent, conscientious, and trained staff and must take such steps as are necessary to ensure good customer relations; render competent, prompt, courteous, and knowledgeable service; and meet such minimum service standards as Franchisor may establish from time to time in the Operations Manual or otherwise in writing. Franchisee must cause all Coffee Shop employees, while working at the Coffee Shop, to wear uniforms of such color, design, and other specifications as Franchisor may designate from time to time. Notwithstanding the foregoing, Franchisor does not dictate Franchisee's hiring or other employment policies, and Franchisee is required to be knowledgeable of and adhere to all federal, state, and local labor and employment related laws.

7.4. Compliance with Law. Franchisee and the Business shall comply with all laws and regulations. Franchisee and the Business shall obtain and remain current in all governmental permits and licenses necessary for the operation of the Business. Franchisee shall secure and maintain in force all required operational and professional licenses, permits and certificates necessary for the operation of the Coffee Shop, including all zoning and local permits necessary to operate the Coffee Shop from the principal residence of Franchisee or its General Manager, and shall operate the Coffee Shop in full compliance with all applicable laws, ordinances and regulations. Franchisor makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the Coffee Shop. Franchisee shall be solely responsible for investigating and complying with all such laws, ordinances and regulations with regard to the operation of the Coffee Shop

7.5 Products, Services, and Methods of Sale. Franchisee must offer and sell all menu items that Franchisor requires, and only those menu items that Franchisor has approved. Franchisee must prepare, package, and serve all menu items in accordance with Franchisor's recipes, Standards, and procedures for preparation, presentation, and service. This includes without limitation: dine-in, carry-out, catering, and delivery, which may include the use of third-party delivery service providers, as communicated to Franchisee from time to time via the Operations Manual or other written directives. Such Standards and procedures may include, without limitation, adherence to recipes (including use of prescribed ingredients and prescribed measure of ingredients), use of containers and paper goods bearing the Marks, packaging procedures, requirements or prohibitions relating to "combo meals," product holding times, and other standards for displaying menu items and other merchandise for sale. Franchisee must participate in all market research programs that Franchisor requires, which may include test-marketing new products, purchasing a reasonable quantity of new products for test-marketing, and promoting the sale of the new products. Franchisee must participate in any online ordering program developed or implemented to allow customers to order System menu items or other promotional products through the Internet or through other digital applications. Participation in such program(s) is mandatory, and Franchisee will pay Franchisor or a third party the costs associated with such program.

7.6 Prices. Franchisee acknowledges that the System Standards determined by Franchisor may include the minimum, maximum, and/or exact prices that franchisees may charge for products or services sold (except to the extent such authority is limited or prohibited by applicable law).

7.7 Personnel.

(a) Management. The Business must at all times be under the on-site supervision of the Designated Manager or a General Manager who has completed Franchisor's training program.

(b) Service. Franchisee shall cause its personnel to render competent and courteous service to all customers and members of the public.

(c) **Appearance.** Franchisee shall cause its personnel to comply with any dress attire, uniform, personal appearance and hygiene standards as set forth in the Operations Manual.

(e) **Sole Responsibility.** Franchisee is solely responsible for the terms and conditions of employment of all its personnel, including recruiting, hiring, training, scheduling, supervising, compensation, and termination. Franchisee is solely responsible for all actions of its personnel. Franchisee and Franchisor are not joint employers, and no employee of Franchisee will be an agent or employee of Franchisor. Within seven days of Franchisor's request, Franchisee and each of its employees will sign an acknowledgment form stating that Franchisee alone (and not Franchisor) is the employee's sole employer. Franchisee will use its legal name on all documents with its employees and independent contractors, including, but not limited to, employment applications, time cards, pay checks, and employment and independent contractor agreements, and Franchisee will not use the Marks on any of these documents.

7.8 Software. Without limiting the generality of [Section 7.1](#) or [Section 8.1](#), Franchisee shall acquire and use all software and related systems required by Franchisor. Franchisee shall enter into any subscription and support agreements that Franchisor may require. Franchisee shall upgrade, update, or replace any software from time to time as Franchisor may require. Franchisee shall protect the confidentiality and security of all software systems, and Franchisee shall abide by any System Standards related thereto. Franchisee shall give Franchisor unlimited access to Franchisee's point of sale system and other software systems used in the Business, by any means designated by Franchisor. If we implement any mobile ordering app or software subscriptions for the System, you must participate and pay the software and hardware installation expenses, cost of equipment, maintenance, and ongoing monthly software subscription fee directly to us or to the third party-supplier as designated at Franchisor's sole and absolute discretion.

7.9 Customer Complaints. Franchisee agrees to promptly address all complaints in accordance with the procedures contained in the Operations Manual or as otherwise provided by the Franchisor. If Franchisee is unable or unwilling to resolve a customer complaint within forty-eight (48) hours, and it becomes necessary for Franchisor to reimburse a customer in settlement of his or her complaint about work performed at or by your Coffee Shop, Franchisee agrees to promptly reimburse Franchisor for amounts expended on account of any such complaint. Franchisee obligations and liabilities under this Section shall survive any termination or expiration of this Agreement.

7.10 Evaluation and Compliance Programs. Franchisee shall participate at its own expense in programs required from time to time by Franchisor for obtaining customer evaluations, reviewing Franchisee's compliance with the System, and/or managing customer complaints, which may include (but are not limited to) a customer feedback system, customer survey programs, and mystery shopping. Franchisor shall share with Franchisee the results of these programs, as they pertain to the Business. Franchisee must meet or exceed any minimum score requirements set by Franchisor for such programs.

7.11 Payment Systems. Franchisee shall accept payment from customers in any form or manner designated by Franchisor (which may include, for example, cash, specific credit and/or debit cards, gift cards, electronic fund transfer systems, and mobile payment systems). Franchisee shall purchase or lease all equipment and enter into all business relationships necessary to accept payments as required by Franchisor. Franchisee must at all times comply with payment card industry data security standards (PCI-DSS).

7.12 Gift Cards, Loyalty Programs, and Incentive Programs. At its own expense, Franchisee shall sell or otherwise issue gift cards, certificates, or other pre-paid systems, and participate in any customer loyalty programs, membership/subscription programs, or customer incentive programs, designated by Franchisor, in the manner specified by Franchisor in the Operations Manual or otherwise in writing. Franchisee shall honor all valid gift cards and other pre-paid systems, regardless of whether issued by

Franchisee or another Arwa Coffee business. Franchisee shall comply with all procedures and specifications of Franchisor related to gift cards, certificates, and other pre-paid systems, or related to customer loyalty, membership/subscription, or customer incentive programs.

7.13 Maintenance and Repair. Franchisee shall at all times keep the Business in a neat and clean condition, perform all appropriate maintenance, and keep all physical property in good repair. In addition, Franchisee shall promptly perform all work on the physical property of the Business as Franchisor may prescribe from time to time, including but not limited to periodic interior and exterior painting; resurfacing of the parking lot; roof repairs; and replacement of obsolete or worn-out signage, floor coverings, furnishings, equipment and décor. Franchisee acknowledges that the System Standards may include requirements for cleaning, maintenance, and repair.

(a) Franchisee shall prominently display, at Franchisee's expense, both on the interior and exterior of the Franchisee's Arwa Coffee Shop location, signs in such form, color, number, location and size, and containing such Marks as Franchisor may designate. Franchisor may also require the Franchisee to use illuminated signs. Franchisee shall obtain all permits and licenses required for such signs and will also be responsible for ensuring that all signs comply with all laws and ordinances. Franchisee shall not display in or upon Franchisee's Arwa Coffee Shop location any sign or advertising of any kind to which Franchisor may object. Franchisee reserves the right to require Franchisee to update Franchisee's signage at any time at Franchisee's sole expense.

(b) Franchisee shall conform to all quality and customer service standards prescribed by the Franchisor in writing.

7.14 Remodeling. Franchisee recognizes that from time to time, Franchisor may introduce, as part of the System, other methods or technology which require certain System modifications including, without limitation, new computer hardware and software, equipment; methods, recipes, new or different payment systems; loyalty programs; certifications and licenses; furnishings and new techniques and methodologies, and additional or substitute trademarks, service marks, and copyrighted materials. Changes to the System may further include, without limitation, abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination; and modifying or substituting entirely the building, location, equipment, furnishings, signage, Trade dress, décor, color schemes and uniform specifications and all other unit construction, design, appearance and operational attributes which Franchisee is required to observe hereunder. Franchisee shall, upon reasonable notice, accept, implement, use and display in the operation of the Coffee Shop any such changes in the System, as if they were part of this Agreement at the time of execution hereof. If such additional investment is required to be made in the last two years of the initial term, Franchisee may avoid making the investment by providing notice of intent not to renew the Franchise unless the investment is in connection with a modification to the System required by law or court order. Franchisee acknowledges that any required expenditures for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in Section 7.13 of this Agreement. Notwithstanding the foregoing, Franchisee shall be required to make any and all improvements or modifications whenever such are required by law, regulation, agency decision or court order. Franchisee shall have no recourse against Franchisor on account of any variation to another franchisee and shall not be entitled to require Franchisor to provide Franchisee with a like or similar variation hereunder. Except as provided herein, Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications contemplated herein, Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Finally, Franchisee expressly waives any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

7.15 Variance. Franchisor has the right to vary standards or specifications for any franchisee based upon that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of any particular Arwa Coffee Franchise Business. Franchisor shall not be required to disclose or grant to Franchisee a like or similar variance hereunder.

7.16 Days of Operation. Franchisee shall keep the Coffee Shop open for business at least 10 hours per day and seven days per week, excluding major holidays, as specified and amended from time to time in the Operations Manual.

7.17 E-Mail. Franchisee shall, at all times and at Franchisee's expense, maintain an e-mail address and account for communicating with Franchisor, per Franchisor's specifications. To the extent Franchisor provides franchisee emails, then Franchisee shall use the assigned email for all business purposes and shall respond to all emails within one business day.

7.18 Insurance.

(a) Types and Amounts of Coverage. At its sole expense, Franchisee shall procure within sixty days of the Effective Date, and maintain in full force and effect during the term of this Agreement, insurance as required by state law and as Franchisor specifies below. All policies (except any workers' compensation insurance) shall expressly name Franchisor as an additional insured, grantor of franchise and loss payee and all policies shall contain a waiver of all subrogation rights against Franchisor and its successors and assigns. In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure:

1. Coverage against direct physical loss or damage to real and personal property (including but not limited to computers, consoles, servers), including improvements and betterments, written on a special form peril basis, including flood and earthquake, if the relevant property is situated in a flood or earthquake zone, in an amount equal to 100% of the Coffee Shop's property value;
2. Comprehensive general liability insurance, written on an occurrence basis, extended to include contractual liability, products and completed operations, and personal and advertising injury, with a combined bodily injury and property damage limit of at least \$1,000,000 per occurrence, \$2,000,000 in aggregate;
3. Statutory workers' compensation insurance and employers' liability insurance as required by the law of the state in which the Coffee Shop is located, including statutory workers' compensation limits and employers' liability limits of at least \$1,000,000;
4. Business interruption insurance equal to 12 months of your net income and continuing expenses including royalty fees;
5. Commercial umbrella liability insurance with total liability limit of at least \$1,000,000 protecting against first party and third-party claims;
6. Cyber Insurance in the amount of at least \$1,000,000 protecting against first party and third-party claims;
7. Employer practices liability insurance with a limit of at least \$2,000,000 including actions of a third-party and a minimum of \$100,000 for wage and hour disputes; and
8. All other insurance that we require in the Operations Manual or that is required by law or by the lease or sublease for the Coffee Shop.

Franchisor reserves the right to require Franchisee to obtain insurance policies to protect against cybersecurity threats, and accordingly, to require that Franchisor is named as additional insured on these cybersecurity insurance policies. Franchisor's insurance requirements, including types of coverages and amount may change over time.

Franchisee acknowledges that the foregoing minimum insurance requirements do not constitute advice or a representation that such coverages are necessary or adequate to protect Franchisee from losses in connection with their Coffee Shop. Nothing in this Agreement prevents or restricts Franchisee from acquiring and maintaining insurance with higher policy limits or lower deductibles than Franchisor requires.

- (b) **Future Increases.** Franchisor has the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances.
- (c) **Carrier Standards.** Such policies shall be written by an insurance company licensed in the state in which Franchisee operates and having at least an "A" Rating Classification as indicated in the latest issue of A.M. Best's Key Rating Guide. Although A.M. Best groups "A" and "A-" are in the same classification, Franchisor demands an "A" rating.
- (d) **Evidence of Coverage.** Franchisee's obligation to obtain and maintain the foregoing policies shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provisions set forth in Article 16. Upon issuance of a policy and renewal of said policy, Franchisee shall provide to Franchisor, certificates of insurance showing compliance with the foregoing requirements within 15 days of Franchisee's receipt of such certificates. Such certificates shall state that said policy or policies shall not be canceled or altered without at least 30 days' prior written notice to Franchisor and shall reflect proof of payment of premiums.
- (e) **Failure to Maintain Coverage.** Should Franchisee not procure and maintain insurance coverage as required by this Agreement, Franchisor has the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

7.19 Suppliers and Landlord. Franchisee shall pay all vendors and suppliers in a timely manner. If Franchisee leases the Location, Franchisee shall comply with its lease for the Location.

7.20 Public Relations. Franchisee shall not make any public statements (including giving interviews or issuing press releases) regarding Arwa Coffee, the Business, or any particular incident or occurrence related to the Business, without Franchisor' prior written approval, which will not be unreasonably withheld.

7.21 Association with Causes. Franchisee shall not in the name of the Business (i) donate money, products, or services to any charitable, political, religious, or other organization, or (ii) act in support of any such organization, without Franchisor' prior written approval, which will not be unreasonably withheld.

7.22 No Other Activity Associated with the Business. Franchisee shall not engage in any business or other activity at the Location other than operation of the Arwa Coffee Business. Franchisee shall not use assets of the Business for any purpose other than the Business. If Franchisee is an entity, the entity shall not own or operate any other business except Arwa Coffee businesses.

7.23 No Third-Party Management. Franchisee shall not engage a third-party management company to manage or operate the Business without the prior written approval of Franchisor, which will not be unreasonably withheld.

7.24 Identification. Franchisee must identify itself as the independent owner of the Business in the manner prescribed by Franchisor. Franchisee must display at the Business signage prescribed by Franchisor identifying the Location as an independently owned franchise.

7.25 Business Practices. Franchisee shall be honest and fair in all interactions with customers, employees, vendors, governmental authorities, and other third parties. Franchisee shall comply with any code of ethics or statement of values from Franchisor. Franchisee shall not take any action which may injure the goodwill associated with the Marks.

7.26 Website. Franchisor may, but will not be obligated to, establish and maintain from time to time Franchisor's Website to provide information about the System and the goods and services that the Coffee Shop provide. Franchisor has sole discretion and control over the design and content of Franchisor's Website. Franchisee will comply with Franchisor's social media policy as communicated to Franchisee and as modified from time to time.

7.27. Currency and Methods of Payment. Franchisee shall submit all fees and payments to Franchisor in U.S. dollars. Likewise, Franchisee shall only accept payments related to the Coffee Shop in U.S. dollars. Franchisee is expressly prohibited from accepting as payment in any other currency, electronic or otherwise, including cryptocurrency and tokens such as Bitcoin, Ethereum, Litecoin, and other digital currencies or tokens. Franchisee is required to accept all forms and methods of payment that Franchisor requires, including debit cards, credit cards, stored value cards, or other non-cash systems (including, for example, APPLE PAY, and/or GOOGLE WALLET) that Franchisor specifies periodically to enable customers to purchase menu items and other authorized goods and services, and to install all hardware and/or software necessary to accept such payments. The parties acknowledge and agree that protection of customer privacy and credit card information is necessary to protect the goodwill of franchises operating under the Marks and System. Franchisee is solely responsible for its own education concerning these regulations and standards and for achieving and maintaining applicable compliance certifications. Franchisee shall defend, indemnify, and hold Franchisor harmless from and against all claims arising out of or related to Franchisee's violation of the provisions of this Section 7.27.

7.28 Mobile App. Franchisor is implementing a mobile ordering app with an estimated cost of \$150 per month and an additional subscription fee of \$50 per month. Franchisor anticipates the mobile ordering app will be paid by the Franchisor as a group rate to reduce the cost to the System. Franchisee is responsible for payment of all subscription fees which may be paid directly to the software supplier or through the Franchisor to take advantage of group rates, if applicable. Franchisor retains the right to increase these costs if such fees are increased by the third party supplied.

ARTICLE 8. SUPPLIERS AND VENDORS

8.1 Generally.

Franchisee will purchase only from Franchisor, suppliers, or distributors designated by Franchisor ("Designated Suppliers"): (a) fixtures, furniture, equipment, interior and exterior signage, decor, trade dress (as Franchisor defines trade dress), and design consulting services; (b) food products and ingredients, whether or not they are developed by or for Franchisor pursuant to a special recipe, formula, or specifications; (c) all fountain and bottled beverages; (d) uniforms, shirts, memorabilia, and all merchandise and items intended for retail sale (whether or not bearing our Marks); (e) advertising, point-of-purchase materials, and other printed promotional materials; (f) gift certificates, stored value cards, and other non-

cash payment systems; (g) stationery, business cards, contracts, and forms; (h) bags, packaging, and supplies bearing Franchisor's Marks; and (i) all other goods and/or services as Franchisor requires. Franchisor may receive money or other benefits from Designated Suppliers based on Franchisee's purchases. Franchisee agrees that Franchisor has the right to retain and use all such benefits as it deems appropriate, in its sole discretion.

Franchisee may purchase from any supplier items and services for which Franchisor has not identified Designated Suppliers, provided that the items and services meet Franchisor's specifications. These specifications may include brand requirements ("**Approved Brands**"), and to the extent that Approved Brands have been identified, Franchisee must purchase and use only the Approved Brands.

8.2 Alternate Vendor Approval. If Franchisor requires Franchisee to purchase a particular Input only from an Approved Vendor or Required Vendor, and Franchisee desires to purchase the Input from another vendor, then Franchisee must submit a written request for approval accompanied by any information, specifications and/or samples requested by Franchisor. Franchisor may condition its approval on such criteria as Franchisor deems appropriate, which may include evaluations of the vendor's capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. Franchisor will provide Franchisee with written notification of the approval or disapproval of any proposed new vendor within 30 days after receipt of Franchisee's request.

8.3 Alternate Input Approval. Franchisor will provide Franchisee a list of Designated Suppliers and Approved Brands and may, from time to time, modify the list of Designated Suppliers and/or Approved Brands. Franchisee must promptly comply with all such modifications. Franchisor is not responsible for any delays, damages, events of Force Majeure, or defects relating to Franchisee's purchases of Approved Brands or of goods or services from Designated Suppliers. Franchisor is not responsible for any cost increases related to increases in material costs, commodity prices, shipping and transportation costs, or other costs. Additionally, Franchisor makes no warranties concerning the freshness, quality, or shelf-life of any product sold by Designated Suppliers and expressly disclaims all implied warranties with respect to products sold by Designated Suppliers, including the warranty of merchantability and/or fitness for a particular use. Franchisee is solely responsible for inspecting all products and ingredients and determining their fitness for sale or use. Franchisee hereby waives all claims against Franchisor arising out of or relating to the quality and/or fitness of Approved Products or products supplied by Designated Suppliers.

Franchisor may approve one or more suppliers for any goods or materials and may approve a supplier only as to certain goods or materials. Franchisor may concentrate purchases with one or more suppliers or distributors to obtain lower prices and/or the best advertising support and/or services for any group of Coffee Shops, or any other group of Coffee Shops, whether franchised or operated by Franchisor or its Affiliates. Approval of a supplier may be conditioned on requirements relating to the frequency of delivery, reporting capabilities, standards of service, including prompt attention to complaints, or other criteria, and concentration of purchases, as set forth above, and may be temporary pending a further evaluation of such supplier by Franchisor.

If Franchisee proposes to purchase from an unapproved source, Franchisee must submit to Franchisor a written request for such approval, or must request the supplier to submit a written request on its own behalf. Franchisor reserves the right to require, as a condition of its approval, that its representatives be permitted to inspect the supplier's facilities, and that such information, specifications, and samples as Franchisor reasonably requires be delivered to Franchisor and/or to an independent, certified laboratory designated by Franchisor for testing prior to granting approval. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test must be paid by Franchisee. Franchisor will notify Franchisee within 60 days of Franchisee's request as to whether or not Franchisee is authorized to purchase such products from that supplier. Franchisor reserves the right, at its option, to re-inspect the facilities and

products of any such approved supplier and to revoke its approval of any supplier upon the suppliers' failure to meet Franchisor's criteria for quality and reliability.

8.4 Purchasing. Franchisor may negotiate prices and terms with vendors on behalf of the System. Franchisor may receive rebates, payments or other consideration from vendors in connection with purchases by franchisees. Franchisor has the right (but not the obligation) to collect payments from Franchisee on behalf of a vendor and remit the payments to the vendor and impose a reasonable markup or charge for administering the payment program. Franchisor may establish a purchasing cooperative and require Franchisee to join and participate in the purchasing cooperative on such terms and conditions as Franchisor may determine. Franchisor may implement a centralized purchasing system.

8.5 No Liability of Franchisor. Franchisor shall not have any liability to Franchisee for any claim or loss related to any product provided or service performed by any Approved Vendor or Required Vendor, including without limitation defects, delays, or unavailability of products or services.

8.6 Product Recalls. If Franchisor or any vendor, supplier, or manufacturer of an item used or sold in Franchisee's Business issues a recall of such item or otherwise notifies Franchisee that such item is defective or dangerous, Franchisee shall immediately cease using or selling such item, and Franchisee shall at its own expense comply with all instructions from Franchisor or the vendor, supplier, or manufacturer of such item with respect to such item, including without limitation the recall, repair, and/or replacement of such item.

8.7 Quality Assurance Inspections; Testing. Franchisor has the right to enter the Coffee Shop location, including "virtual" Coffee Shop visits via in-house video systems or other technology, during regular business hours to inspect the Coffee Shop for quality assurance purposes. Such inspections are for the purpose of enforcing System Standards. They are not intended to exercise, nor do they constitute, control over Franchisee's day-to-day operation of the Coffee Shop. Franchisee will allow Franchisor, from time to time, to obtain samples of ingredients, products, and supplies, for the sole purpose of testing for quality assurance compliance. If notified of a deficiency in Franchisor's System Standards, Franchisee must promptly cure the deficiency. If Franchisee fails to promptly cure the deficiency, Franchisor may, but is not obligated to, undertake the necessary steps to cure the deficiency on Franchisee's behalf. In such case, Franchisor has the right to charge, and Franchisee agrees to pay upon demand, Franchisor's reasonable amount for Franchisor's time and reimburse Franchisor for all out-of-pocket costs that Franchisor incurred in connection with taking such corrective measures.

8.8 Franchisor disclaims all express and implied warranties and all other liability concerning any defects, malfunctions, or other deficiencies in equipment or other products manufactured by anyone other than Franchisor or its affiliates, or such parties' acts or omissions. Franchisee agrees not to make any claims against Franchisor or its affiliates with respect to products that Franchisor or its affiliates did not manufacture, even if Franchisor or its affiliates sold you the product or designated or approved its source. Franchisee is required to assert any claims only against the manufacturer of the product, even if the Franchisee obtained it through Franchisor or its affiliate.

ARTICLE 9. ADVERTISING AND MARKETING

9.1 Marketing Generally. All marketing and promotions must be conducted in a professional and dignified manner and must conform to Franchisor's specified standards and requirements. All marketing and promotional materials, including product identification materials, point-of-purchase promotional materials, promotion memorabilia, and merchandise and prizes, will either be provided for the Franchisee, or be made available to the Franchisee for purchase through the Franchisor.

9.2 Approval and Implementation. Franchisee shall not conduct any marketing, advertising, or public relations activities (including in-store marketing materials, websites, online advertising, social media marketing or presence, and sponsorships) that have not been approved by the Franchisor. Franchisor may (but is not obligated to) operate all “social media” accounts on behalf of the System, or it may permit franchisees to operate one or more accounts. All of Franchisee’s promotional and marketing materials must be presented in a dignified manner and must conform to Franchisor’s Standards and specifications relating to advertising, marketing, and trademark use. Franchisee must submit to Franchisor samples of proposed promotional and marketing materials and notify Franchisor of the intended media before first publication or use. Franchisor will make reasonable efforts to approve or disapprove the proposed promotional and marketing materials within 14 days of their receipt. Franchisee may not use the promotional or marketing materials until Franchisor expressly approves the materials and the proposed media. Once approved, Franchisee may use the materials only in connection with the media for which they were approved. Franchisor may disapprove Franchisee’s promotional or marketing materials, or the media for which they were approved, at any time, and Franchisee must discontinue using any disapproved materials or media upon receipt of Franchisor’s written notice of disapproval. Additionally, at Franchisor’s discretion, Franchisee must pay Franchisor, on demand, \$1,000 per occurrence for the use of any unauthorized marketing or advertising materials, which the parties agree is a reasonable estimation of the administrative and legal costs likely to be incurred by Franchisor as a result of such unauthorized use. This fee is in addition to and not in lieu of any other remedies available to Franchisor under this Agreement or applicable law.

9.3 Use by Franchisor. Franchisor may use any marketing materials or campaigns developed by or on behalf of Franchisee, and Franchisee hereby grants an unlimited, perpetual, royalty-free license to Franchisor for such purpose.

9.4 Brand Development Fee. Franchisor has established and administers a System-wide marketing, advertising and promotions to facilitate regional and national advertising and marketing efforts to which Franchisee shall contribute a monthly fee. On or before the tenth day of each month (unless that day is a weekend or holiday, then on the business day before) or on another day of the week or month as Franchisor may specify from time to time, Franchisee shall contribute to the Brand Development Fee an amount specified in the Summary Page of this Agreement for the applicable period specified by the Franchisor (“Brand Development Fee”). The Brand Development Fee shall be due at the same time and in the same manner as the Royalty Fee. Franchisor shall notify Franchisee at least thirty (30) days before changing Brand Development Fee requirements. The Brand Development Fee shall be maintained and administered by Franchisor or its designee as follows:

9.4.1. Franchisor shall oversee all marketing programs, with sole control over creative concepts, materials and media used in such programs, and the placement and allocation thereof. Franchisor does not warrant that any particular franchisee will benefit directly or pro rata from expenditures by the Brand Development Fee. The program(s) may be local, regional or System-wide. Franchisor does not warrant the success or effectiveness of any particular marketing program.

9.4.2. Franchisee’s Brand Development Fee may be used to meet the costs of, or to reimburse Franchisor for its costs, conducting market research, producing, maintaining, administering and directing consumer advertising (including, without limitation, the cost of preparing and conducting television, radio, Internet, intranet, magazine, newspaper, and direct mail advertising campaigns and other public relations activities; developing and/or hosting an Internet and/or intranet web page or site and similar activities; employing advertising agencies to assist therein; and providing promotional brochures and other marketing materials to franchisees). Brand Development Fee shall not be used for creating or placing any advertisement that is principally a solicitation for new franchisees, but may include in all advertising prepared using Brand Development Fee monies (including Internet advertising) information concerning franchise opportunities. A portion of Brand Development Fee monies may be used to create and maintain

one or more pages on Franchisor's web site devoted to advertising franchise opportunities and identifying and screening inquiries and applications submitted by franchise candidates.

9.4.3. Franchisee acknowledges that the Brand Development Fee (and marketing program) is not a trust, escrow, or a fund, and neither Franchisor nor its affiliates assume any fiduciary obligation for administering or auditing the marketing program or for any other reason. Upon written request, Franchisor will provide Franchisee an annual, unaudited statement of Brand Development Fee Contributions and expenditures.

9.5 RESERVED

9.6 Local Marketing. Franchisee shall spend up the amount specified on the Summary Page of this Agreement each month on marketing the Business locally ("**Local Marketing**"). Upon request of Franchisor, Franchisee shall furnish proof of its compliance with this obligation in this Section. Franchisor has the sole discretion to determine what activities constitute "marketing" under this Section. Franchisor may, in its discretion, determine that if Franchisee contributes to an Advertising Cooperative, the amount of the contribution will be counted towards Franchisee's required spending under this Section.

9.7 Grand Opening. Franchisee shall develop a grand opening advertisement plan and obtain Franchisor's approval of the plan at least 60 days before the projected Opening Date of the Coffee Shop. Franchisee shall spend the minimum amount, as we may agree in writing, over sixty (60) days: within 30 days prior to the Opening Date and 30 days after the Opening Date of the Coffee Shop to promote the new Coffee Shop.

9.8 Promotions and Promotional Literature. Franchisee must comply with Franchisor's requirements related to, pay the costs associated with, participate in, and offer to its customers all promotional programs and offers required by Franchisor, including but not limited to: (a) all customer loyalty and reward programs; (b) all contests, sweepstakes, and other prize promotions; (c) all purchasing promotions; and (d) all product give-away promotions; and (e) all promotional meal combinations or offerings, which Franchisor may develop from time to time. Franchisor will communicate to Franchisee in writing the details of each such program, promotion, and offering, and Franchisee will promptly display all point-of-sale advertising and promotion-related information at such places within the Coffee Shop as Franchisor may designate. Franchisee must purchase and distribute all coupons, clothing, toys, and other collateral merchandise (and only the coupons, clothing, toys, and collateral merchandise) designated by Franchisor for use in connection with each such program, promotion, or offering. This may include, among other things, displaying signage or other literature containing information about the franchise offering.

9.9. Participation in E-Commerce. Franchisee must at all times cooperate with Franchisor and actively participate in any and all social media and other e-commerce advertising programs, management programs, and other platforms as Franchisor requires. Franchisee must pay Franchisor or a third-party provider the costs associated with such programs or platforms. The costs and/or fees associated with these programs are in addition to other advertising fees under this Agreement.

9.10. Business Directory Listings. Franchisee must place and pay the cost of business listings in such print and online directories and categories, whether electronic or hard copy, as Franchisor may require from time to time. Amounts paid for business directory listings will not be credited toward any of the expenditures required by this Section 9.10.

9.11. Social Media and E-commerce. Franchisor may create and license to the Franchisee, social media accounts, e-mail marketing software accounts and other electronic accounts that use the Marks or any portion of them, used by the Franchisee with any Internet directory, website, platform, or similar item in the operation of the Coffee Shop. The Franchisee may not create websites, social media accounts, e-mail marketing software accounts or other comparable accounts outside of those which Franchisor license to the Franchisee.

9.12. Franchisee shall operate the Coffee Shop so that it is clearly identified and advertised as a “Arwa Coffee” business. Franchisee shall use the trademark “ARWA COFFEE” and the other Marks which now or hereafter may form a part of the System, on all signs, paper supplies, business cards, uniforms, advertising materials, technology platforms, signs and other articles in the identical combination and manner as the Franchisor may prescribe in writing; the Franchisee shall supply to the Franchisor samples or photographs of the same upon Franchisor’s request. Franchisee shall comply with all trademark, trade name, service mark and copyright notice marking requirements and Franchisee shall supply to the Franchisor samples or photographs of the same upon our request.

ARTICLE 10. RECORDS AND REPORTS

10.1 Systems. Franchisee shall use such customer data management, sales data management, administrative, bookkeeping, accounting, and inventory control procedures and systems as Franchisor may specify in the Operations Manual or otherwise in writing. Franchisee must acquire and use only the point of sale cash registers and computer systems and equipment that Franchisor prescribes for use by Coffee Shops (“**POS System**”) and adhere to Franchisor’s requirements for use. Requirements may include, among other things, connection to remote servers, off-site electronic repositories, and high-speed Internet connections. Franchisor may, in its sole discretion, require Franchisee to add to the POS System memory, ports, other accessories or peripheral equipment; additional, new, or substitute software; replace or upgrade the POS System (software and hardware) and other computers as Franchisor prescribes; and enter into maintenance agreements for the POS System and other computers. Because the POS System must be used solely for POS-related purposes that are set forth by the POS System provider and approved by Franchisor, Franchisee may elect to purchase a secondary computer for use at the Coffee Shop for routine business functions and related software, such as Internet browsing, word processing, spreadsheet preparation, and emailing. Franchisor will provide Franchisee 90 days advance written notice of any change to the POS System requirements. Franchisee must acquire, install, and maintain such anti-virus and anti-spyware software as Franchisor requires and pay related costs, and Franchisee must adopt and implement such Internet user policies as Franchisor may prescribe for purposes of avoiding, blocking, and eliminating viruses and other conditions designed to interfere with operation of the POS System.

10.1.1 The computer system and/or POS for your Arwa Coffee Shop will be dedicated for the operation of your Arwa Coffee Shop and used for no other purpose.

10.1.2 All sales must be processed through the approved POS systems and reported as gross sales and no other supplemental or secondary POS system may be used.

10.1.3 Consistent with the foregoing, among other things, Franchisor reserves the right periodically to undertake technology initiatives, the purpose of which would be enhance the technology associated with the franchise system including, without limitation, enhanced internet capability, use of proprietary digital applications and enhanced support services. Although Franchisor cannot estimate the future costs of the Computer System or required service or support, and although these costs might not be fully amortizable over the remaining term of this Agreement, Franchisee agrees to incur the costs of obtaining the computer hardware and software comprising the Computer System (or additions or modifications) and required service or support. Franchisor has no obligation to reimburse Franchisee for any Computer System costs. As otherwise permitted in this Agreement, Franchisor may access the Computer System and retrieve all pertinent information relating to the operation of the Coffee Shop in areas that we have the ability to control and/or remedy.

10.1.4 Notwithstanding the fact that Franchisee must purchase, use, and maintain the Computer System consistent with our standards and specifications, Franchisee will have sole and complete responsibility for: (1) the acquisition, operation, maintenance, updates and upgrading of the Computer System, including compliance with the standards that we periodically require; (2) the manner in which your

Computer System interfaces with our computer system and those of other third parties; (3) the installation, maintenance and support of the Computer System, although Franchisor may from time to time require or recommend third parties to provide these functions; and (4) any and all consequences that may arise if the Computer System is not properly operated, maintained and upgraded, including but not limited to virus and spyware issues.

10.1.5 All of Franchisee's Computer Systems must be compliant with all applicable laws, regulations, and commonly accepted industry standards, including without limitation those laws, regulations, and commonly accepted industry standards relating to privacy, data security, and the processing and protection of confidential personal information, including without limitation the Payment Card Industry Data Security Standards and all other standards applicable to electronic payments that may be published from time to time by payment card companies.

10.2 Software. Franchisee must: (a) use any proprietary software programs, system documentation manuals, and other proprietary materials that Franchisor requires in connection with the operation of the Coffee Shop ; (b) input and maintain in the POS System such data and information as Franchisor prescribes in the Operations Manual, software programs, documentation, or otherwise; and (c) purchase new or upgraded software programs, system documentation manuals, and other proprietary materials at then-current prices whenever Franchisor adopts such new or upgraded programs, manuals, and materials system-wide. Franchisee must enter into all software license agreements, "terms of use" agreements, and software and hardware maintenance agreements, in the form and manner Franchisor prescribes, and pay all fees imposed thereunder.

10.3. Independent Access. Franchisor may independently poll Gross Sales and other information input and compiled by Franchisee's POS System from a remote location. There is no limitation on Franchisor's right to access this information. Franchisor may require that Franchisee connect to a Web-based application enabling independent access to the information on the POS System and other in-Coffee Shop computer and camera systems. If Franchisor requires Franchisee to connect to such an application, Franchisee agrees to acquire all software licenses needed to use the application (which may require Franchisee to pay periodic subscription fees) and to install and use all hardware needed to connect to the application and to facilitate the exchange of electronic information as contemplated by this Section 10.3.

10.4. Maintenance of Records. Franchisee must prepare and preserve for at least five years from the date of preparation complete and accurate books, records, and accounts according to generally accepted accounting principles and in the form Franchisor prescribes. Additionally, and concurrently with the execution of this Agreement, Franchisee must provide Franchisor true and accurate copies of Franchisee's charter documents and governing documents including, as applicable, articles of incorporation, bylaws, operating agreement, partnership agreement, resolutions authorizing the execution hereof, and any amendments to the foregoing. Franchisee must promptly provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in the Business Entity or the Coffee Shop.

10.5. Submission of Financial Statements and Tax Returns. No later than March 31 of each calendar year, Franchisee must provide Franchisor: (a) a copy of the previous year's annual profit and loss statements; (b) a copy of the previous year's sales tax returns; and (c) if requested, a copy of federal and state income tax returns for the previous year; provided, however, that if Franchisee is an individual, not a Business Entity, Franchisee may submit only those schedules to its personal tax returns which reflect the revenues and expenses of the Coffee Shop .

10.6. Submission of Performance Reports. Franchisee must accurately report to Franchisor the Coffee Shop Gross Sales and such other financial information as Franchisor may reasonably require using the procedures, methods, and programs that Franchisor prescribes periodically and paying all related costs.

Reports will be due on the date prescribed by Franchisor and will be signed by an authorized representative, attesting to their accuracy. Within 30 days following the end of each calendar quarter, Franchisee must provide to Franchisor a copy of the Coffee Shop's profit and loss statements prepared according to generally accepted accounting principles and which accurately reflect the Coffee Shop financial information for the applicable Accounting Periods. Franchisor may require that Franchisee submit the profit and loss statements in a standardized format that Franchisor provides to all of our franchisees. Franchisee also must provide Franchisor such other reports, computer back-up, and other information that Franchisor may reasonably request.

10.7. Audit of Franchisee Records. Franchisor or its designated agent has the right to audit, examine, and copy Franchisee's books, records, accounts, and business tax returns at any time. If an inspection or audit reveals underpayment of amounts owed to Franchisor, Franchisee must immediately pay the understated amount with interest as provided in Section 4.8. If an audit or inspection reveals an understatement of Gross Sales by 3% or more for any 4-week period then, in addition to amounts due on the understatement and interest, Franchisee must promptly reimburse Franchisor all costs and expenses that it incurred in connection with performing the audit or inspection (including travel, lodging, and wage expenses and attorneys' and accountants' fees). Franchisee shall also pay interest from the date such amount was due until paid at the rate of one and one-half percent (1.5%) per month (or the rate legally allowed by the law of the state where Franchisee is located, whichever is lower). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

10.7.1 Special Inspection Fee. Franchisee may be required to pay our then-current Special Inspection Fee if we conduct an inspection of your business because of a governmental report, customer complaint or other customer feedback, or due to your default or non-compliance with any system specification.

10.8. Use of Financial Information in Franchise disclosure document. Franchisee acknowledges and agrees that it may be in the best interest of the franchise system to share historical revenue and expense information with prospective franchisees. To that end, Franchisee hereby authorizes Franchisor to publish information concerning the Coffee Shop's Gross Sales and other financial and otherwise information reported to Franchisor in its franchise disclosure document and in other reports which may be presented to existing System franchisees and/or prospective franchisees of the System in Franchisor's sole discretion.

(a) Legal Actions and Investigations. Franchisee shall promptly notify Franchisor of any Action or threatened Action by any customer, governmental authority, or other third party against Franchisee or the Business, or otherwise involving the Franchisee or the Business. Franchisee shall provide such documents and information related to any such Action as Franchisor may request.

(b) Government Inspections. Franchisee shall give Franchisor copies of all inspection reports, warnings, certificates, and ratings issued by any governmental entity with respect to the Business, within three (3) days of Franchisee's receipt thereof.

(c) Other Information. Franchisee shall submit to Franchisor such other financial statements, budgets, forecasts, reports, records, copies of contracts, documents related to litigation, tax returns, copies of governmental permits, and other documents and information related to the Business as specified in the Operations Manual or that Franchisor may reasonably request.

10.9 Taxes. Franchisee must promptly pay all taxes due and owing based on its operation of the Coffee Shop and the Business Entity including, without limitation, sales taxes, income taxes, and property taxes.

ARTICLE 11. FRANCHISOR RIGHTS

11.1 Operations Manual; Modification. The Operations Manual, and any part of the Operations Manual, may be in any form or media as determined by Franchisor. Franchisor may supplement, revise, or modify the Operations Manual, and Franchisor may change, add or delete System Standards at any time in its discretion. Franchisor may inform Franchisee thereof by any method that Franchisor deems appropriate (which need not qualify as “notice” under Section 16.3). In the event of any dispute as to the contents of the Operations Manual, Franchisor’s master copy will control.

11.2 Inspections. Franchisor may enter the location of the Business during normal business hours and conduct an inspection. Franchisee shall cooperate with Franchisor’s inspectors. The inspection may include, but is not limited to: observing operations, conducting a physical inventory, evaluating physical conditions, monitoring sales activity, speaking with employees and customers, and removing samples of products, supplies and materials. Such inspections may also include, without limitation, conducting any type of audit or review necessary to evaluate your compliance with all required payments, standards, specifications or procedures. We may, from time to time, make suggestions and give mandatory instructions with respect to the operation of your Arwa Coffee franchise as we consider necessary or appropriate to ensure compliance with the then-current quality standards of the System and to protect the goodwill and image of the System. Franchisor may video and/or take photographs of the inspection and the Business. Franchisor may also set a minimum score requirement for inspections; Franchisee’s failure to meet or exceed the minimum score will constitute a default under this Agreement. Without limiting Franchisor’s other rights under this Agreement, Franchisee will, as soon as reasonably practical, correct any deficiencies noted during an inspection.

If Franchisor conducts an inspection because of a governmental report, customer complaint or other customer feedback, or if a default or non-compliance issue has been raised with any System Standard by Franchisee (including following up a previously failed inspection), then Franchisor may charge all out-of-pocket expenses plus its then-current inspection fee to Franchisee. Franchisor may also contact suppliers and obtain information about Franchisee purchases and the status of Franchisee’s account. Upon termination or expiration, Franchisor can stop access to all proprietary products from any supplier or distributor.

11.3 Franchisor’s Right to Cure. If Franchisee breaches or defaults under any provision of this Agreement, Franchisor may (but has no obligation to) take action to cure the default on behalf of Franchisee, without any liability to Franchisee. Franchisee shall reimburse Franchisor for its costs and expenses (including the allocation of any internal costs) for such action, plus 10% as an administrative fee.

11.4 Business Data. All customer data and other non-public data generated by the Business is considered Confidential Information and is exclusively owned by the Franchisor. Franchisor hereby licenses such data back to Franchisee without charge solely for Franchisee’s use in connection with the Business for the term of this Agreement.

11.4.1 Franchisee shall not acquire any interest in the Trade Secrets or other Confidential Information, other than the right to use it in the development and operation of the Franchised Business and in performing its duties during the term of this Agreement. Franchisee acknowledges that the use or duplication of the Trade Secrets or other Confidential Information in any other business venture would constitute an unfair method of competition. Franchisee acknowledges that the Trade Secrets and other Confidential Information are proprietary and are disclosed to Franchisee solely on the condition that Franchisee (and all holders of a legal or beneficial interest in Franchisee and all officers, directors, executives, managers and members of the professional staff of Franchisee): (a) shall not use the Trade Secrets or other Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Trade Secrets and other Confidential Information during and after the term of this

Agreement; (c) shall not make any unauthorized copies of any portion of the Trade Secrets or other Confidential Information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use or disclosure of the Trade Secrets and other Confidential Information. Franchisee shall enforce this Section as to its employees, agents and representatives and shall be liable to Franchisor for any unauthorized disclosure or use of Trade Secrets or other Confidential Information by any of them.

11.5 Innovations. Franchisee shall disclose to Franchisor all ideas, plans, improvements, concepts, methods, and techniques relating to the Business (collectively, “Innovations”) conceived or developed by Franchisee, its employees, agents or contractors. Franchisor will automatically own all Innovations, and it will have the right to use and incorporate any Innovations into the System, without any compensation to Franchisee. Franchisee shall execute any documents reasonably requested by Franchisor to document Franchisor’s ownership of Innovations.

11.6 Communication Systems. If Franchisor provides email accounts and/or other communication systems to Franchisee, then Franchisee acknowledges that it has no expectation of privacy in the assigned email accounts and other communications systems, and Franchisee authorizes Franchisor to access such communications.

~~11.7—Reserved.~~

11.7 Right to Inspect. At Franchisor’s request Franchisee shall authorize Franchisor and/or its direct third party(s), including accounting and legal professionals, to release to Franchisor all accounting and financial records arising from or relating to the operation of the Franchised Business including, but not limited to, records evidencing Gross Revenues, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties’ possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the length of the unexpired term of this Agreement or until such time as Franchisor withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to Franchisor.

11.8 System Variations. Franchisor may vary or waive any System Standard for any one or more Franchisee(s) due to the peculiarities of the particular site or circumstances, density of population, business potential, population of trade area, existing business practices, applicable laws or regulations, or any other condition relevant to the performance of a franchisee or group of franchisees. All Franchisee(s) are not entitled to the same variation or waiver.

11.9 Temporary Public Safety Closure. If Franchisor discovers or becomes aware of any aspect of the Business which, in Franchisor’s opinion, constitutes an imminent danger to the health or safety of any person, then immediately upon Franchisor’s order, Franchisee must temporarily cease operations of the Business and remedy the dangerous condition. Franchisor shall have no liability to Franchisee or any other person for action or failure to act with respect to a dangerous condition.

11.10 Option to Purchase Assets and Assume Lease. Franchisor shall, within thirty (30) days following the expiration or termination of this Agreement for any reason (other than for renewal of the Franchise), have the option, in our sole judgment, to purchase all or any portion of the assets of the Coffee Shop and any other materials, equipment or supplies bearing our Marks, and to have Franchisee assign and transfer the Coffee Shop lease for the location to the Franchisor. Franchisor’s purchase price for the portion of Franchisee inventory or supplies purchased directly from us or any of our affiliates shall be at Franchisee cost. Franchisor purchase price for the remaining inventory, equipment, parts, fixtures and furnishings utilized by Franchisee in the operation of the Coffee Shop shall be the fair wholesale market value thereof. In addition, Franchisor shall be permitted to deduct from the purchase price to be paid to Franchisee for any

such items all sums due and owing to Franchisor. In determining the fair market value of such items, the parties shall exclude any factor or increment for goodwill or going-concern value. Except as provided below, the purchase price will be paid in cash at the closing of any such purchase which will occur no less than thirty (30) days from the date of exercise of the option.

If the parties are unable to reach agreement as to the fair market value of the assets of the Coffee Shop to be purchased by the Franchisor, the parties hereby agree to appoint an independent appraiser to make such determination; such determination will be binding upon the parties. The fees and expenses of such appraisal shall be paid in equal proportions by the parties. If you do not object to the proposed appraiser within twenty (20) days after our notice, such appraiser will be deemed approved by both parties.

ARTICLE 12. MARKS

12.1 Authorized Marks. Franchisee expressly acknowledges that Franchisor or its Affiliates own all right, title, and interest in and to the Marks and the goodwill associated with the Marks and that Franchisee has no ownership interest in the Marks. Franchisee's right to use the Marks is derived solely from this Agreement, is exclusive and is limited to the conduct of business by Franchisee according to, and in compliance with, this Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by Franchisor. Franchisee further acknowledges and agrees that any and all goodwill associated with the Coffee Shop and identified by the Marks is Franchisor's property and will inure directly and exclusively to the benefit of Franchisor and that, upon the expiration or termination of this Agreement for any reason, no monetary amount will be assigned as attributable to any goodwill associated with Franchisee's use of the Marks. Franchisee understands and agrees that any use of the Marks, other than as expressly authorized by this Agreement, without Franchisor's prior written consent, may constitute an infringement of Franchisor's rights herein and that the right to use the Marks granted herein does not extend beyond the termination or expiration of this Agreement.

12.2 Use of the Marks. Franchisee will use only the Marks designated by Franchisor and only in the manner that Franchisor authorizes and permits, using the symbols "®", "™", or "SM", as appropriate. Franchisee will use the Marks only in connection with the operation and promotion of the Coffee Shop and only in the manner prescribed by Franchisee. Notwithstanding the foregoing, Franchisee may not use the Marks, or allow the Marks to be used, by any other person or entity, in conjunction with selling the Coffee Shop or the assets associated therewith, or placing an advertisement or listing, in or through any form of media, which advertisement seeks to sell, in whole or in part, the Coffee Shop or the assets associated therewith, or that seeks to source a loan or investor for the Coffee Shop. Such advertisements or listings must only describe the Coffee Shop in general terms. Franchisee agrees to enforce this restriction with the activities of all sales agents, brokers, or other representatives who assist Franchisee with such activities. Franchisee must not contest ownership or validity of the Marks or any registration thereof or engage in any conduct that adversely affects the ownership or registration of the Marks or Franchisor's right to use or to sublicense the use of the Marks. Franchisee must execute all documents that Franchisor requests in order to protect the Marks or to maintain their validity and enforceability.

12.3 Restriction Against Use of Marks in Corporate Name. Franchisee must not use the Marks or any part thereof in Franchisee's corporate name, and Franchisee must not use them to incur any obligation or indebtedness on Franchisor's behalf.

12.4 Restriction Against Use of Marks and Copyrighted Works on the Internet. Franchisee must not use the Marks or any part or derivative thereof or any of Franchisor's Copyrighted Works on the Internet, except as expressly permitted in writing. Without limiting the generality of the foregoing, Franchisee must not use the Marks or any part or derivative of the Marks or any abbreviation, acronym, or phonetic variation thereof as part of any URL, domain name, including but not limited to any gaming Website, social networking Website, or marketing/discounting Website; as part of any user name; as part of any unauthorized email address; or as part of any unauthorized software application (app). Franchisee must not display on any Website (including commercial Websites, social networking Websites, and

marketing and advertising Websites) any of Franchisor's Copyrighted Works, which include the design portion of its Marks, or any menu items or collateral merchandise identified by the Marks. Additionally, Franchisee acknowledges that Franchisor is the lawful, rightful, and sole owner of certain Internet domain names that have been established or may be established by Franchisor in the future, and Franchisee unconditionally disclaims any ownership interest in any of Franchisor's domain names or any colorably similar Internet domain name(s). Franchisee shall include on its letterhead, forms, cards and other such identification, a prominent notice stating that the Franchised Business is an "Independently Owned and Operated Arwa Coffee Shop" of Franchisee.

12.5 Notice. Franchisee must identify itself as an independent franchise owner of the Coffee Shop in conjunction with any use of the Marks or operation of the Coffee Shop including, but not limited to: use on email signatures, invoices, order forms, receipts, business stationery, business cards, employment and payroll documents, and contracts, as well as at such conspicuous locations in the Coffee Shop as Franchisor requires. The form and content of such notice must comply with Franchisor's requirements.

12.6 Infringement. Franchisee must notify Franchisor immediately of any apparent infringement of or challenge to Franchisee's use of any Mark and of any claim by any person of any rights in any Mark or any Copyrighted Works. Franchisee and/or Owners must not communicate with any person other than Franchisor, its Affiliates, their counsel, and Franchisee's counsel in connection with any such apparent infringement, challenge, or claim. Franchisor will have complete discretion to take any action it deems appropriate in connection with any infringement of, challenge to or claim to, any Mark or Copyrighted Works. The right to control exclusively, or to delegate control of, any settlement, litigation, Patent and Trademark Office Action, or other proceeding arising out of any such alleged infringement, challenge, or claim, or otherwise relating to any Mark or Copyrighted Works. Franchisee agrees to execute all such instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any Affiliate in the Marks or Copyrighted Works.

12.7 Changes to the Marks. Franchisor reserves the right, in its sole discretion, to designate one or more new, modified, or replacement Marks for Franchisee's use and to require Franchisee's use of any such new, modified, or replacement Marks in addition to or in lieu of any previously designated Marks. Franchisee must comply with any such directive relating to the use of new, modified, or replacement Marks within 60 days following receipt of Franchisor's written notice of such directive. We are not required to reimburse you for any costs or expenses associated with making such changes, for any loss of revenue due to any modified or discontinued Mark, or for your expenses in promoting a modified or substitute trademark or service mark.

ARTICLE 13. COVENANTS

13.1. Noncompetition During Term of Agreement. Franchisee and each Owner acknowledge that Franchisee and each Owner will receive valuable, specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques, and trade secrets of Franchisor and the System. Franchisee and each Owner covenant and agree that during the Term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee and, if applicable, such Owner, will not, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any person, or legal entity:

(a) Divert or attempt to divert any present or prospective customer of a Coffee Shop to any competitor, by direct or indirect inducement or otherwise, do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(b) Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any fast casual, quick service, or full service Coffee Shop, of any type, that offers coffee and assorted café

items as a primary menu item that derives more than 25% of its revenue from the sale of coffee and assorted café items. or

(c) Operate a Coffee Shop other than pursuant to a then-currently effective franchise agreement with Franchisor, at any location within the United States, its territories or commonwealths, or any other country, province, state, or geographic area in which Franchisor or its Affiliates have used, sought registration of, or registered the Marks or similar marks or operate or license others to operate a business under the Marks or similar marks.

(d) Neither Franchisee, nor any officer, director, or owner of Franchisee, shall directly or indirectly, do or perform, directly or indirectly, any act injurious or prejudicial to the goodwill associated with the Marks or the System.

13.2. Noncompetition After Expiration or Termination of Agreement. Commencing upon the later of: (a) a transfer permitted under Article 15 of this Agreement, expiration of this Agreement (without renewal), or termination of this Agreement (regardless of the cause for termination); or (b) a final court order (after all appeals have been settled) with respect to any of the foregoing events or with respect to enforcement of this Section 13.2, and continuing for an uninterrupted period of ~~two~~three years thereafter, Franchisee will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as an owner or otherwise) or relationship or association with any casual, fast-casual, or quick-service coffee shop, retail coffee shop, food truck, kiosk, cart, or store inside store of any type, that offers coffee and assorted café items as a primary menu item or that derives more than 25% of its revenue from the sale of coffee and assorted café items, other than a Coffee Shop operated pursuant to a then-currently effective franchise agreement with Franchisor, ~~that: (i) is, or is intended to be, located at the location of the former Coffee Shop location; (ii) is within a five-mile radius of the former Coffee Shop location; or (iii) is within a five-mile radius of any other Coffee Shop operating under the System and Marks, that is in existence or under development~~ at any location within the United States, its territories, or commonwealths, or any other country, province, state, or geographic area in which Franchisor or its Affiliates have used, sought registration of, or registered the Marks or similar marks, or operate or license others to operate a business under the Marks or similar marks, at the time of such expiration, termination, or transfer. If any Owner ceases to be an Owner of the Franchisee for any reason during the Term of this Agreement, the foregoing covenant will apply to the departing Owner for a ~~two~~three-year period beginning on the date such person ceases to meet the definition of an Owner. The time periods relating to the obligations described in this Section 13.2 will be tolled during any period of noncompliance.

13.2.1 Neither Franchisee, nor any officer, director, or owner of Franchisee, shall directly or indirectly, do or perform, directly or indirectly, any act injurious or prejudicial to the goodwill associated with the Marks or the System.

13.3. Additional Provisions. The parties acknowledge and agree that Franchisor has the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 13.1 and 13.2, or any portion thereof, without Franchisee's consent or the consent of any Owner, effective immediately upon delivery of written notice to the affected party; and Franchisee and each Owner agree that such person will comply with any covenant as so modified. Franchisee and each Owner expressly agree that the existence of any claims Franchisee or any Owner may have against Franchisor, whether or not such claim is arising from this Agreement, will not constitute a defense to Franchisor's enforcement of the covenants in this Section 13. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 13.

13.4. Covenants from Individuals. Each individual who attends Franchisor's training program, or for whom Franchisor designates, must sign a confidentiality and noncompetition agreement substantially in the form attached as Attachment 6 to this Agreement, and Franchisee is responsible for ensuring compliance

with such agreement. Each individual who is deemed a Principal by Franchisor, including the spouse of each Owner, must sign a confidentiality and noncompetition agreement substantially in the form attached as Attachment 6 to this Agreement, and Franchisee is responsible for ensuring compliance with such agreement. Franchisor shall be a third-party beneficiary with the right to enforce covenants contained in such agreements.

13.5. Breach of Covenants and Irreparable Injury. Franchisor must be protected against the potential for unfair competition by Franchisee's use of Franchisor's training, assistance, Confidential Information, and Trade Secrets in direct competition with the Franchisor. Franchisee further acknowledges that the Franchisor would not have entered into this Agreement or shared the Confidential Information, Trade Secrets, and other information with Franchisee absent Franchisee's agreement to strictly comply with the provisions of this Section. Franchisee acknowledges that as a Franchisee, it will have access to Franchisor's Trade Secrets and Confidential Information and therefore be in a unique position to use the special knowledge gained as a franchisee. Franchisee acknowledges that a breach of the covenants contained in this Section will be deemed to threaten immediate, substantial and irreparable injury to Franchisor. Accordingly, Franchisee agrees that Franchisor will have the right, without prior notice to Franchisee, to obtain immediate injunctive relief without limiting any other rights or remedies and without posting a bond.

13.6. Exception for Publicly Held Companies. The foregoing restrictions will not apply to Franchisee's ownership or any Owner's ownership of less than 5% beneficial interest in the outstanding equity securities of any company registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

13.7. Improvements. If Franchisee or any of Franchisee's Owners or employees develop any new concept, process, or improvement in the development or operation of the Coffee Shop, Franchisee agrees to promptly notify Franchisor and provide Franchisor with all related information, as determined by Franchisor in its sole discretion, without compensation. Any such concept, process, or improvement will become Franchisor's sole property, and Franchisor will be the sole owner of all patents, patent applications, and other intellectual property rights related thereto. Franchisee, its Owners, and employees hereby: (a) assign, waive, and release to Franchisor any rights Franchisee or Owner may have or acquire, including the right to modify such concept, process, or improvement; (b) agree to assist Franchisor in obtaining and enforcing the intellectual property rights to any such concept, process, or improvement in any and all countries and further agree to execute and provide Franchisor with all necessary documentation for obtaining and enforcing such rights; (c) irrevocably designate and appoint Franchisor as their agent and attorney in fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property right related to any such concept, process, or improvement; and (d) grant Franchisor a worldwide, perpetual, non-exclusive, fully paid license to use and sublicense the use of the concept, process, or improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe their rights therein, if any provision of this Section 13.7. is found to be invalid or otherwise unenforceable.

13.8 Representations of Franchisee.

(a) Franchisee represents and warrants that the ownership information set forth in Attachment 1 is accurate and complete in all material respects, and Franchisee hereby agrees to notify Franchisor in writing prior to any change in the ownership information set forth in Attachment 1, and in compliance with the transfer requirements of Article 15. of this Agreement. If Franchisee is a Business Entity, Franchisee further represents and warrants to Franchisor that: (i) Franchisee is duly organized and validly existing under the laws of the state of its formation; (ii) Franchisee's governing documents will, at all times, provide that Franchisee's activities are confined exclusively to the operation of the Coffee Shop; (iii) neither Franchisee nor any of its Affiliates nor Owners own, operate, or have any financial or beneficial interest in any business that is the same as or similar to a System Coffee Shop; and (iv) the execution of this Agreement and the performance of the transactions contemplated by this Agreement are permitted by Franchisee's governing documents and have been duly authorized. If Franchisee is two or more individuals

or entities, then the rights and obligations of this Agreement may only be exercised jointly, but the liabilities of this Agreement will be joint and several as to all individuals and entities.

(b) Franchisee acknowledges that Franchisee has conducted an independent investigation of the franchise opportunity and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent on Franchisee's abilities and efforts.

(c) Franchisee acknowledges that it is relying solely on Arwa Coffee Franchising LLC, and not on any affiliated entities or parent companies related to Arwa Coffee Franchising LLC with regard to Franchisor's financial and other obligations under this Agreement, and no employee or other person speaking on behalf of, or otherwise representing Franchisor, has made any statement or promise to the effect that any affiliated entities or parent companies guarantee Franchisor's performance or financially back Franchisor.

(d) Except for representations contained in Franchisor's franchise disclosure document provided to Franchisee or its Owners in conjunction with this franchise offering, Franchisee represents that neither Franchisor nor its agents or representatives have made any representations, and neither Franchisee nor its Owners have relied on representations made by Franchisor or its agents or representatives, concerning actual or potential gross sales, expenses, or profits of a franchise Coffee Shop.

(e) Franchisee acknowledges that it has received a complete copy of Franchisor's franchise disclosure document at least 14 calendar days before Franchisee signed this Agreement or paid any consideration to Franchisor for the rights granted herein.

(g) Franchisee acknowledges that it has read and that it understands the terms of this Agreement and its attachments and that it has had ample time and opportunity to consult with an attorney or business advisor of its choice about the potential risks and benefits of entering into this Agreement.

(h) Franchisee hereby warrants and represents that neither it nor any of its Owners, officers, directors, managers, partners, agents, or employees, or their respective interests therein is now (nor will be during the Term of this Agreement) identified, either by name or an alias, pseudonym, or nickname, on any of the lists of restricted or denied parties maintained by the United States government, including:

- i. "Denied Persons List" maintained by the U.S. Commerce Department's Bureau of Industry and Security (<http://www.bis.doc.gov/dpl/Default.shtml>);
- ii. "Unverified List" maintained by the U.S. Commerce Department's Bureau of Industry and Security (http://www.bis.doc.gov/Enforcement/UnverifiedList/unverified_parties.html);
- iii. "Entity List" maintained by the U.S. Commerce Department's Bureau of Industry and Security (<http://www.bis.doc.gov/Entities/Default.html>);
- iv. "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (www.treas.gov/offices/enforcement/ofac/);
- v. "Debarred List" maintained by the Department of State (<http://pmddtc.state.gov/compliance/debar.html>); and
- vi. "Nonproliferation Sanctions" maintained by the Department of State (<http://www.state.gov/t/isn/c15231.html>).

The foregoing constitutes continuing representations and warranties, and Franchisee agrees to immediately notify Franchisor in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate, or misleading.

13.9. Franchisee further represents and warrants that neither Franchisee nor any of its Owners, officers, directors, managers, partners, agents, or employees has violated (nor will violate during the Term of this Agreement) any law prohibiting money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (<http://epic.org/privacy/terrorism/hr3162.html>), U.S. Executive Order 13224 (<http://www.treasury.gov/resource-center/sanctions/Programs/Documents/terror.pdf>), or any similar law.

13.10 Enforcement of Covenants. Franchisee acknowledges and agrees that (i) this section is reasonable because it promotes and protects the subject matter of this Agreement and/or the underlying relationship and/or deters any potential conflict of interest; (ii) the time, territory, and scope of the covenants provide in this Section are reasonable and necessary for the protection of our legitimate business interests; (iii) Franchisee has received sufficient and valid consideration in exchange for those covenants; (iv) enforcement of the same would not impose undue hardship because Franchisee has sufficient professional skills; and (v) the period of protection provided by these covenants will not be reduced by any period of time during which you are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants. To the extent that this Section is judicially determined to be unenforceable by virtue of its scope or in terms of area, restricted activity or length of time, but may be made enforceable by reductions of any or all thereof, the same will be so modified and enforced to the fullest extent permissible. Franchisee agrees that the existence of any claim Franchisee may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants contained in this Section. Franchisee acknowledges that any breach or threatened breach of this Section will cause Franchisor irreparable injury for which no adequate remedy at law is available, and Franchisee consents to the issuance of a temporary or permanent injunction prohibiting any conduct violating the terms of this Section. Such injunctive relief will be in addition to any other remedies or claims for damages that we may have.

13.11 Disputed Enforceability. The parties have attempted in the above Section to limit Franchisee's right to compete only to the extent necessary to protect Franchisor from unfair competition. The parties hereby expressly agree that if the scope of enforceability of the above provision is disputed at any time by Franchisee, a court or arbitrator, as the case may be, may modify this Section to the extent it deems necessary to make supervision enforceable under applicable law. In addition, Franchisor reserves the right to reduce the scope of said provision with Franchisee's consent, at any time or times, effective immediately upon notice to Franchisee. FRANCHISEE EXPRESSLY ACKNOWLEDGES THAT IT POSSESSES SKILLS AND ABILITIES OF A GENERAL NATURE AND HAS OTHER OPPORTUNITIES TO EXPLOIT SUCH SKILLS. CONSEQUENTLY, ENFORCEMENT OF THE COVENANTS SET FORTH ABOVE WILL NOT DEPRIVE FRANCHISEE OF THE ABILITY TO EARN A LIVING.

ARTICLE 14. DEFAULT AND TERMINATION

14.1. Termination in the Event of Bankruptcy or Insolvency. Franchisee will be deemed to be in default of this Agreement, and all rights granted to it in this Agreement which will automatically terminate without notice if: (a) Franchisee becomes insolvent or makes a general assignment for the benefit of creditors; (b) a petition in bankruptcy is filed by Franchisee or such a petition is filed against Franchisee and Franchisee does not oppose it; (c) Franchisee is adjudicated as bankrupt or insolvent; (d) a bill in equity or other proceeding for the appointment of a receiver for Franchisee or other custodian for its business or assets is filed and consented to by Franchisee; (e) a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (f) proceedings for a composition with creditors under any state or federal law is instituted by or against Franchisee; (g) a final judgment remains unsatisfied or of record for 30 days or longer (unless a supersedeas bond is filed); (h) Franchisee is dissolved; (i) execution is levied against Franchisee's business or property; (j) judicial, non-judicial, or administrative proceedings to foreclose any lien or mortgage against Franchisee, the Business Entity, or the Coffee Shop location or assets or equipment are instituted against Franchisor

and are not dismissed within 30 days; or (k) the real or personal property of Franchisee or the Coffee Shop is sold after levy thereupon by any sheriff, marshal, or constable.

14.2. Termination with Notice and Without Opportunity To Cure. Franchisor has the right to terminate this Agreement, for which termination will become effective upon delivery of notice without opportunity to cure if: (a) Franchisee's Designated Manager or General Manager fails to successfully complete training; (b) Franchisee fails to open the Coffee Shop for business by the Opening Date; (c) Franchisee abandons the Coffee Shop (which will be presumed if Franchisee ceases operations for three consecutive days or more without Franchisor's prior written consent); (d) Franchisee loses any license required to operate the Coffee Shop or Franchisee loses its right to occupy the Coffee Shop location; (e) Franchisee fails to relocate and open, or re-open, the Coffee Shop that closed due to a Force Majeure event within the required time period; (f) Franchisee or any Owner or General Manager is convicted of, or plead no contest to, a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System; (g) there is any transfer or attempted transfer in violation of Article 15 of this Agreement; (h) Franchisee or any Owner fails to comply with the confidentiality or noncompetition covenants in Article 13 of this Agreement; (i) Franchisee or any Owner makes any material misrepresentations in connection with Franchisee's franchise application; (j) Franchisee fails to comply with notification requirements concerning investigations, certain occurrences, and Crisis Management Events; (k) Franchisee understates any payment to Franchisor by 3% or more twice in any two-year period; (l) an imminent threat or danger to public health or safety results from the operation of the Coffee Shop; (m) Franchisee knowingly maintains false books or records or submits any false reports or statements to Franchisor; (n) Franchisee offers unauthorized products or services from the Coffee Shop location or in conjunction with the Marks or Copyrighted Works; (o) Franchisee purchases from an unapproved source items for which Franchisee has identified a Designated Supplier(s) or purchases unapproved items for which Franchisee has identified Approved Products; (p) Franchisee fails to pass two or more quality assurance inspections within any rolling 12-month period; (q) Franchisee violates Franchisor's policies for Coffee Shop operations, without authorization or permission, on three or more occasions within any rolling 12-month period; (r) Franchisee fails to maintain required hours of operation as required by the Franchisor on two or more occasions without prior written permission, within any rolling 12-month period; ~~or~~ (s) within any period of 12 consecutive months, failure to comply with this Agreement on 3 or more separate occasions for which notices of default were given (or failure on 2 or more separate noticed occasions to comply with the same obligation), whether or not those failures to comply are corrected; (t) After notice to cure, fails to refrain from activities, behavior, or conduct likely to adversely affect the reputation of Franchisor, franchisee, or the franchised business, system; or (u) disclose duplicates, otherwise use in unauthorized manner any portion of op trade secrets or other confidential information.

14.3. Termination With 10-Day Cure Period. Franchisor has the right to terminate this Agreement, for which termination will become effective upon delivery of written notice of termination, if Franchisee fails to cure the following defaults within 10 days after delivery of written notice: (a) failure to obtain or maintain required insurance coverage; (b) failure to pay any amounts due Franchisor; (c) failure to pay any amounts due to the landlord of the Coffee Shop location, suppliers, or other trade creditors (unless such amount is subject to a bona fide dispute); (d) failure to pay any amounts for which Franchisor has advanced funds for or on Franchisee's behalf, or upon which Franchisor is acting as guarantor of Franchisee's obligations; (e) violation of any provision of this Agreement concerning the use and protection of the Marks or Copyrighted Works; or (f) violation of any provision of this Agreement concerning the preparation, service, appearance, or quality of Arwa Coffee or Arwa Coffee products.

14.4. Termination With 30-Day Cure Period. Except as otherwise provided in this Section 14, Franchisor has the right to terminate this Agreement, and such termination will become effective upon delivery of written notice of termination, if Franchisee fails to cure any curable default within 30 days after delivery of written notice.

14.5. Termination Related to Death or Permanent Incapacity. Franchisor has the right to terminate

this Agreement if an approved transfer as required by Article 15 is not effected within the designated time frame following a permanent disability.

14.6. Cross-Default. Any default under any agreement between Franchisee or its Affiliates on the one hand and Franchisor or its Affiliates on the other hand, which are not cured within any applicable cure period, will be considered a default under this Agreement and will provide an independent basis for termination of this Agreement.

14.7. Additional Remedies. In addition to, or in lieu of, termination of this Agreement, in its sole discretion, Franchisor may require the Coffee Shop to be closed during any cure period relating to a default based on public health and safety concerns.

14.8 Termination by Franchisee. Franchisee may terminate this Agreement only if Franchisor violates a material provision of this Agreement and fails to cure or to make substantial progress toward curing the violation within 30 days after receiving written notice from Franchisee detailing the alleged default. Termination by Franchisee is effective 10 days after the Franchisor receives written notice of termination.

14.9 Effect of Termination. Upon termination or expiration of this Agreement, all obligations that by their terms or by reasonable implication survive termination, including those pertaining to non-competition, confidentiality, indemnity, and dispute resolution, will remain in effect, and Franchisee must immediately:

- (i) pay all amounts owed to Franchisor based on the operation of the Business through the effective date of termination or expiration.
- (ii) return to Franchisor all copies of the Operations Manual, Confidential Information and all other materials provided by Franchisor to Franchisee or created by a third party for Franchisee relating to the operation of the Business, and all items containing any Marks, copyrights, and other proprietary items; and delete all Confidential Information and proprietary materials from electronic devices;
- (iii) notify the telephone, internet, email, electronic network, directory, and listing entities of the termination or expiration of Franchisee's right to use any numbers, addresses, domain names, locators, directories and listings associated with any of the Marks, and authorize their transfer to Franchisor or any new franchisee as may be directed by Franchisor, and Franchisee hereby irrevocably appoints Franchisor, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest; to execute such directions and authorizations as may be necessary or appropriate to accomplish the foregoing; and
- (iv) cease doing business under any of the Marks.

14.10 Remove Identification. Within 30 days after termination or expiration, Franchisee shall at its own expense "de-identify" the Location so that it no longer contains the Marks, signage, or any trade dress of a Arwa Coffee business, to the reasonable satisfaction of Franchisor. Franchisee shall comply with any reasonable instructions and procedures of Franchisor for de-identification. If Franchisee fails to do so within 30 days after this Agreement expires or is terminated, Franchisor may enter the Location to remove the Marks and de-identify the Location. In this event, Franchisor will not be charged with trespass nor be held accountable or required to pay for any assets removed or altered, or for any damage caused by Franchisor.

14.11 Unfair Competition. If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in the Marks. Franchisee shall not utilize any designation of origin, description or representation that falsely suggests or represents an association or connection with Franchisor. This Section 14 is not intended as an approval of Franchisee's right to operate other businesses and in no way is it intended to contradict other sections of this Agreement. Franchisee shall make such modifications or

alterations to the Coffee Shop (including changing telephone numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Coffee Shop. Franchisee shall make such specific additional changes to the Coffee Shop as Franchisor may reasonably request for that purpose including, without limitation, removal of all physical and structural features identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this Section 14, Franchisor has the right to enter the Coffee Shop for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee; such expense Franchisee shall pay upon demand.

14.12 Liquidated Damages. If Franchisor terminates this Agreement based upon Franchisee's default (or if Franchisee purports to terminate this Agreement except as permitted under [Section 14.8](#)), then within 10 days thereafter Franchisee shall pay to Franchisor a lump sum (as liquidated damages and not as a penalty) calculated as follows: the average Royalty Fees and Brand Development Fee Contributions that Franchisee owed to Franchisor under this Agreement for the 52-week period preceding the effective date of termination multiplied by the lesser of (1) two years or (2) the number of weeks remaining in the then-current term of this Agreement. If Franchisee had not operated the Business for at least 52 weeks, then liquidated damages shall be calculated as the average Royalty Fees and Brand Development Fee Contributions that Franchisee owed to Franchisor during the period that Franchisee operated the Business. Franchisee acknowledges that a precise calculation of the full extent of Franchisor's damages under these circumstances is difficult to determine and the method of calculation of such damages as set forth in this Section is reasonable. Franchisee's payment to Franchisor under this Section will be in lieu of any direct monetary damages that Franchisor may incur as a result of Franchisor's loss of Royalty Fees and Brand Development Fee Contributions that would have been owed to Franchisor after the date of termination; however, such payment shall be in addition to all damages and other amounts arising under this Agreement and [Section 14.4](#), Franchisor's right to injunctive relief for enforcement of [Article 12](#), and any attorneys' fees and other costs and expenses to which Franchisor is entitled under this Agreement. Except as provided in this Section, Franchisee's payment of this lump sum shall be in addition to any other right or remedy that Franchisor may have under this Agreement or otherwise.

14.13 Call Right. Notwithstanding anything to the contrary provided in this Agreement, in consideration of Ten Dollars (\$10.00) paid in hand by FRANCHISOR to FRANCHISEE and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties have bargained for and FRANCHISEE agrees and hereby irrevocably grants FRANCHISOR the following call rights ("Call Option") to be exercised in Franchisor's sole and exclusive discretion:

(a) At any time prior to the consummation of a Qualified Public Offering, or private sale of the Company, FRANCHISOR by and through any FRANCHISOR authorized representative, may, at Franchisor's election, and upon written notice to FRANCHISEE or any other Company Member, require FRANCHISEE or any other Company Member to sell all or any portion of their respective Membership Interests in Company to FRANCHISOR or any FRANCHISOR designee. The purchase price of the Membership Interests pursuant to this Call Option ("Call Option Purchase Price") shall be determined based upon a 3.0 multiplier of the Company's trailing twelve (12) month Earnings Before Interest Tax Depreciation and Amortization ("EBITDA"). For the avoidance of doubt, the Call Option purchase price shall be determined based upon the Company's EBITDA for the twelve months immediately preceding the date to which FRANCHISOR elects to exercise its Call Option then multiplied by three. EBITDA for any monthly or yearly period shall be determined based upon the Company's books on a cash basis for the applicable period. Notwithstanding anything to the contrary, if Call Option is exercised within five years from the Effective Date of this Agreement, the Purchase Price shall not be less than the original investment by the Franchisee minus standard depreciation in accordance with GAAP standards of accounting.

(b) if FRANCHISOR desires to exercise its Call Option right to purchase all or part of FRANCHISEE or any other Company Member's Membership Interests pursuant to this Section, then FRANCHISOR or his authorized designee shall provide written notice to FRANCHISEE or any other

Company Member specifying the amount of Membership Interests being purchased, the method of payment, as well the proposed purchase price based upon the 3.0 multiplier of the Company's trailing 12 month EBITDA ("Call Option Notice"). Upon receipt of the Call Option Notice, FRANCHISEE or any other Company Member shall have 30 days to contest the proposed purchase price. Failure to send written notice contesting the proposed purchase price within 30 days of receipt of the Call Option Notice shall be deemed an irrevocable acceptance of the Call Option purchase price. FRANCHISEE or any other Company Member may, at FRANCHISEE's or the other Company Member's sole cost and expense, retain an independent certified public accountant to inspect the Company's books and records for the previous 12 months for purposes of confirming the EBITDA valuation for Membership Interests solely for purposes of effectuating the irrevocable Call Option. Such evaluation must be conducted within 45 days of FRANCHISEE or other Company Member's receipt of the Call Option Notice. In the event FRANCHISOR disagrees with FRANCHISEE's or other Company Member's EBITDA valuation, FRANCHISOR may, at its sole cost and expense, retain an independent certified public accountant to inspect the Company's books and records for the previous 12 months. In the event Franchisor' and FRANCHISEE or other Company Member's valuations differ, the Call Option Purchase price will be the average of the parties' respective independent EBITDA valuations and shall be binding upon each of the Parties.

(c) the Closing of the Call Option shall take place no later than 90 days after FRANCHISEE or other Company Member's receipt of the Call Option Notice. At the closing of any Call Option, FRANCHISEE or other Company Member shall represent and warrant that he i) has full right, title, and interest in and to the Membership Interests being purchased; ii) that he has full power and authority and has taken all necessary action to sell such Membership interests; and iii) that his Membership Interests are free and clear of any and all liens other those arising as a result of this Agreement. FRANCHISOR and or his authorized designee shall pay the Call Option Purchase Price for the Membership Interests being purchased by certified or official bank check or by wire transfer of immediately available funds.

(d) FRANCHISEE or any other Company Member agrees to execute and deliver any and all documents necessary to effectuate the transfer and sale of his/her/its Membership Interests in Company pursuant to FRANCHISOR exercising a Call Option. FRANCHISEE and/or any other Company Member knowingly and voluntarily agrees to the sufficiency of consideration as well as to the adequacy of the Call Option Purchase Price valuation and irrevocably waives any right to contest the adequacy of consideration in law or in equity and in perpetuity.

(e) Notwithstanding anything to the contrary contained herein, and as an express condition of entering into this Agreement and being admitted as a Member of the Company, each newly admitted Member of Company expressly agrees to irrevocably grant FRANCHISOR and/or Franchisor' authorized designee the Call Option set forth in this Section above on the same terms and conditions as provided herein. Furthermore, each newly admitted Member agrees to the adequacy and sufficiency of consideration in both law and equity and in perpetuity.

(f) All Members agree and acknowledge that the Call Option set forth in this Section 14.13 is solely and exclusively for the benefit of FRANCHISOR or its authorized designee and no other Member.

(g) for purposes of this Section, Franchisor' "authorized designee" is any third party to which FRANCHISOR has granted written authority to exercise Franchisor' call option.

(h) Franchisor has the right to require that the Franchisee or its Designated Manager stay on board for up to two years.

The parties will equally share the cost of the appraisal. Franchisor' purchase will be of assets only (free and clear of all liens), and the purchase will not include any liabilities of Franchisee. The purchase price for assets will not include any factor or increment for any trademark or other commercial symbol used in the business, the value of any intangible assets, or any goodwill or "going concern" value for the Business. Franchisor may withdraw its exercise of the Call Right at any time before it pays for the assets. Franchisee

will sign a bill of sale for the purchased assets and any other transfer documents reasonably requested by Franchisor.

If Franchisor exercises the Call Right, Franchisor may deduct from the purchase price: (a) all amounts due from Franchisee; (b) Franchisee's portion of the cost of any appraisal conducted hereunder; and (c) amounts paid or to be paid by Franchisor to cure defaults under Franchisee's lease and/or amounts owed by Franchisee to third parties. If any of the assets are subject to a lien, Franchisor may pay a portion of the purchase price directly to the lienholder to pay off such lien. Franchisor may withhold 25% of the purchase price for 90 days to ensure that all of Franchisee's taxes and other liabilities are paid. Franchisor may assign this Call Right to another party.

14.14 Alternate Remedies. Prior to the termination of this Agreement, if you fail to pay any amounts owed to us or our affiliates or fail to comply with any term of this Agreement, then in addition to any right we may have to terminate this Agreement or to bring a claim for damages, we will have the right to take the actions set out below and continue them until you have cured the default to our satisfaction. The taking of any of the actions permitted in this Section 14.14 will not suspend or release you from any obligation that would otherwise be owed to us or our affiliates under the terms of this Agreement. We may:

(a) Remove the listing of the Coffee Shop from all advertising published or approved by us, including but not limited to: online directories, forums, social media, and indexing websites;

(b) Prohibit you from attending any meetings or seminars held or sponsored by us or taking place on our premises;

(c) Suspend access to the call center, the franchisee portal, and any technology systems we provide to you;

(d) Suspend services provided to you by us or our affiliates under this Agreement, including but not limited to inspections, training, marketing assistance, and the sale of products and supplies;

(e) Cease listing your Coffee Shop on any Technology Platforms;

(f) Terminate the Franchisee's access to any computer system or software Franchisor owns, maintains or licenses to the Franchisee (whether licensed by the Franchisor or its affiliates);

(g) Contact the Franchisee's landlord, lenders, and/or suppliers, regarding the status of the Franchisee's operations, and provide copies of any default or other notices to the Franchisee's landlords, lenders and suppliers.

(h) In addition, if the Franchisee notifies the Franchisor that the Franchisee is closing the Coffee Shop or otherwise communicate to others that the Franchisee is closing the Coffee Shop, the Franchisee agrees that the Franchisee's billing processor may withhold up to one-half (1/2) of monies that would otherwise be payable to cover any post termination obligations the Franchisee may have, including to reimburse future fees paid by the Franchisee members for periods beyond the closing date.

(i) In addition, while Franchisee is in default or breach of this Agreement, Franchisor may (i) require that Franchisee pay cash on delivery for products or services supplied by Franchisor, (ii) stop selling or providing any products and services to Franchisee, and/or (iii) request any third-party vendors to not sell or provide products or services to Franchisee. No such action by Franchisor shall be a breach or constructive termination of this Agreement, change in competitive circumstances or similarly characterized, and Franchisee shall not be relieved of any obligations under this Agreement because of any such action. Such rights of Franchisor are in addition to any other right or remedy available to Franchisor.

(i) the Franchisor's actions as outline in Section 14.14 may continue until the Franchisee has brought the accounts current, cured any default and complied with the Franchisor's requirements, and the Franchisee has acknowledged the same in writing, The taking of any of the actions

permitted in this section will not suspend or release the Franchisee from any obligation that would otherwise be owed to the Franchisor or its affiliates under the terms of this Agreement or otherwise.

ARTICLE 15. TRANSFERS

15.1 By Franchisor. Franchisor may transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity. With respect to any assignment which results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee will expressly assume and agree to perform such obligations and will become solely responsible for all of Franchisor's obligations under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, Franchisee expressly affirms and agrees that Franchisor and/or its Affiliates may sell their assets, the Marks, the Copyrighted Works, or the System; may sell securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring. With regard to any of the above sales, assignments, and dispositions, Franchisee expressly and specifically waives any claims, demands, or damages arising from or related to the loss of Franchisor's name, the Marks (or any variation thereof), the Copyrighted Works, the System, and/or the loss of association with or identification of Arwa Coffee Franchising LLC as the franchisor under this Agreement. Franchisor's assignment or transfer of its rights and obligations under this Agreement pursuant to this Section 15.1 to any party may be without Franchisee's approval or prior notice to Franchisee, provided that the buyer, assignee or transferee agrees in writing to assume all of Franchisor's obligations under this Agreement. Franchisor and its Indemnitees will not be liable for obligations of the transferee arising after the date of transfer.

15.2 By Franchisee. Franchisee acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and that Franchisor entered into this Agreement in reliance on Franchisee's business skill, financial capacity, personal character, experience, and business ability. Accordingly, Franchisee shall not conduct or undergo a Transfer without providing Franchisor at least 60 days prior notice of the proposed Transfer, and without obtaining Franchisor's written consent. In granting any such consent, Franchisor may impose conditions, including, without limitation, the following:

(i) Franchisor receives a transfer fee of \$10,000 ("Transfer Fee") plus any broker fees and other out-of-pocket costs incurred by Franchisor, including attorney's fees.

(ii) ~~the proposed assignee and its owners have completed~~ Transferee meets Franchisor's ~~franchise application, have met Franchisor's then-applicable current applicant~~ standards ~~for new franchisees, and have been approved by: the prospective transferee has satisfied~~ Franchisor that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as franchisees.

Franchisor may require to demonstrate ability to conduct the Franchised Business; (iii) the proposed assignee is not a Competitor.

(iv) the proposed assignee executes Franchisor's then-current form of franchise agreement and any related documents, which such form may contain materially different provisions than this Agreement;

(v) all owners of the proposed assignee provide a guaranty in accordance with Section 2.7;

- (vi) Franchisee has paid all monetary obligations to Franchisor and its affiliates, and to any lessor, vendor, supplier, or lender to the Business, and Franchisee is not otherwise in default or breach of this Agreement or of any other obligation owed to Franchisor or its affiliates;
- (vii) the proposed assignee and its owners and employees undergo such training as Franchisor may require.
- (viii) Franchisee, its Owners, and the transferee and its owners execute a general release of Franchisor in a form satisfactory to Franchisor, however, if a general release is prohibited, Franchisee shall give the maximum release allowed by law; and
- (ix) the Business fully complies with all of Franchisor's most recent System Standards.

15.3 Transfer for Convenience of Ownership. If Franchisee is an individual or individuals, Franchisee may transfer its interest in this Agreement to a Business Entity for convenience of operation by signing Franchisor's form of assignment and assumption agreement if: **(a)** the Business Entity is formed solely for purposes of operating the Coffee Shop(s); **(b)** Franchisee provides Franchisor a copy of the Business Entity's formation and governing documents and a certificate of good standing from the jurisdiction under which the Business Entity was formed; **(c)** Franchisee and its Affiliates are in compliance with this Agreement and all other agreements with Franchisor or its Affiliates; **(d)** Franchisee pays Franchisor its reasonable attorneys' fees incurred to document such transfer; and **(e)** Franchisee executes a general release in a form satisfactory to Franchisor of any and all claims against Franchisor and its Affiliates and their respective officers, directors, managers, shareholders, agents, and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances; provided, however, that any release will not be inconsistent with any state law regulating franchising.

15.4 Transfer upon Death or Incapacity. Upon the death or incapacity of Franchisee (or, if Franchisee is an entity, the Owner with the largest ownership interest in Franchisee), the executor, administrator, or personal representative of that person must Transfer the Business to a third party approved by Franchisor (or to another person who was an Owner at the time of death or incapacity of the largest Owner) within nine months after death or incapacity. Such transfer must comply with Section 15.2.

15.5 Franchisor' Right of First Refusal. Before Franchisee (or any Owner) engages in a Transfer (except under Section 15.3, to a co-Owner, or to a spouse, sibling, or child of an Owner), Franchisor will have a right of first refusal, as set forth in this Section. Franchisee (or its Owners) shall provide to Franchisor a copy of the terms and conditions of any Transfer. For a period of 30 days from the date of Franchisor's receipt of such copy, Franchisor will have the right, exercisable by notice to Franchisee, to purchase the assets of the proposed Transfer for the same price and on the same terms and conditions (except that Franchisor may substitute cash for any other form of payment). If Franchisor does not exercise its right of first refusal, Franchisee may proceed with the Transfer, subject to the other terms and conditions of this Article.

15.6 No Sublicense. Franchisee has no right to sublicense the Marks or any of Franchisee's rights under this Agreement.

15.7 No Lien on Agreement. Franchisee shall not grant a security interest in this Agreement to any person or entity. If Franchisee grants an "all assets" security interest to any lender or other secured party, Franchisee shall cause the secured party to expressly exempt this Agreement from the security interest.

15.8 For- Sale Advertising. Franchisee shall NOT, without prior written consent of Franchisor, place in, on or upon the area of the Franchised Business, or in any communication media, any form of advertising relating to the sale of the Franchised Business or the rights granted hereunder.

ARTICLE 16. INDEMNITY AND NOTICE

16.1 Indemnity. Franchisee shall indemnify and defend (with counsel reasonably acceptable to Franchisor) Franchisor, its parent entities, subsidiaries and affiliates, and their respective owners, directors, officers, employees, agents, successors and assignees (collectively, “Indemnitees”) against all Losses in any Action by or against Franchisor and/or any Indemnitee directly or indirectly related to, or alleged to arise out of, the operation of the Business. Notwithstanding the foregoing, Franchisee shall not be obligated to indemnify an Indemnitee from Actions arising as a result of any Indemnitee’s intentional misconduct or negligence. Any delay or failure by an Indemnitee to notify Franchisee of an Action shall not relieve Franchisee of its indemnity obligation except to the extent (if any) that such delay or failure materially prejudices Franchisee. Franchisee shall not settle an Action without the consent of the Indemnitee. This indemnity will continue in effect after this Agreement ends.

16.2 Assumption. An Indemnitee may elect to assume the defense of any Action subject to this indemnification, and control all aspects of defending the Action, including negotiations and settlement, at Franchisee’s expense. Such an undertaking shall not diminish Franchisee’s obligation to indemnify the Indemnitees.

16.3 Notices. All notices or demands must be in writing and must be delivered either in person, by certified mail, by overnight delivery, by facsimile, or by email using the information for notices set forth in the Summary Page. Service will be deemed conclusively made (a) at the time of delivery, if personal delivery is used; (b) 24 hours (exclusive of weekends and national holidays), if delivered by overnight delivery; (c) upon the earlier of actual receipt or three calendar days after deposit in the United States mail, properly addressed and postage prepaid, return receipt requested, if served by certified mail; and (d) at the time of transmission by facsimile or other electronic transmission, whether or not the receiving party opens and reads the notice in a timely manner. Notices and demands will be given to the respective parties at the addresses set forth on the Summary Page, unless and until a different address has been designated by written notice to the other party. Either party may change its address for the purpose of receiving notices and other communications by providing a written notice given in the manner set forth above to the other party.

ARTICLE 17. DISPUTE RESOLUTION

17.1. 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 federal law, this Agreement, the franchise, and all claims arising from the relationship between Franchisor and Franchisee will be governed by and construed in accordance with the laws of the State of Texas, without regard to its conflict of law rules. Franchisor and Franchisee acknowledge that the agreements regarding applicable law, forum, and venue set forth in this Section 17.1 provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising out of this Agreement or the relationship created by this Agreement. Franchisor and Franchisee further acknowledge the receipt and sufficiency of mutual consideration for such benefit.

17.2. Arbitration.

(a) Any dispute, controversy, or claim arising out of or relating to this Agreement and the relationships created shall be resolved by binding arbitration. Excepted from the requirement to mediate under this Section 17.3 are claims related to action seeking injunctive relief, action Franchisor may bring relating to Marks or Confidential Information, and Franchisee’s nonpayment of any fees under this Agreement to Franchisor

(b) The arbitration shall be administered in accordance with the Commercial Rules of the AAA. The Arbitrator must be a person experienced in franchising or franchise law who has no prior business or professional relationship with either party. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction. The parties shall share equally in the fees paid directly to the arbitrator. All other arbitration-related costs and expenses must be paid by the party that incurred such costs and expenses.

(b) Arbitration will be conducted in the Dallas County, Texas. You agree that arbitration will be conducted on an individual, not a class-wide basis, and that an arbitration proceeding between the parties and their respective Principals, officers, directors, agents, and/or employees may not be consolidated with any other arbitration proceeding between Franchisor and any other person. The arbitrator must follow the law and has no power or authority to award punitive, consequential, or exemplary damages. Any information disclosed by either party in mediation or pre-arbitration settlement discussions may only be used for those purposes and may be presented as evidence in arbitration. Parties and their counsel must be present in-person for the final hearing, and any telephonic or electronic appearances are reserved for pre-hearing matters and remote non-party witnesses only. The Franchisee acknowledges and expressly agrees that the Franchisor requires strict compliance with all terms and provisions of this Section 17.

(c) For avoidance of doubt, this provision specifically requires both parties to arbitrate our disputes through the American Arbitration Association ("AAA"). The arbitration process allows the disputes to be heard and decided by one arbitrator, selected using the AAA's standard selection process, apply the law to the facts and evidence presented and where we will not use the local court system or its judges. By signing this franchise agreement, you are consenting to resolve disputes through arbitration administered by the AAA, using the current AAA commercial rules.

(d) If after being properly served with a Demand for Arbitration the party being served does not participate in the Arbitration, the Arbitration, pursuant to the Commercial Rules of the AAA, may continue to preside over the Arbitration without that party's involvement.

17.3 Litigation. To the extent that litigation is permitted in accordance with the above provisions then the following provisions will apply:

(a) **JURISDICTION AND VENUE. FOR ANY CLAIMS, CONTROVERSIES, AND/OR DISPUTES WHICH ARE NOT FINALLY RESOLVED THROUGH MEDIATION AS PROVIDED ABOVE, FRANCHISEE, OWNERS, AND PRINCIPALS IRREVOCABLY SUBMIT THEMSELVES TO THE JURISDICTION OF THE STATE AND THE FEDERAL DISTRICT COURTS LOCATED IN THE STATE, COUNTY, OR JUDICIAL DISTRICT IN WHICH FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS IS LOCATED. FRANCHISEE, OWNERS, AND PRINCIPALS HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION FOR THE PURPOSE OF CARRYING OUT THIS PROVISION AND AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON ANY OF THEM IN ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED HEREBY BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW. FRANCHISEE, OWNERS, AND PRINCIPALS FURTHER AGREE THAT VENUE FOR ANY SUCH PROCEEDING WILL BE THE COUNTY OR JUDICIAL DISTRICT IN WHICH FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS IS LOCATED; PROVIDED, THAT FRANCHISOR MAY BRING ANY ACTION (i) FOR MONIES OWED, (ii) FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF OR (iii) INVOLVING POSSESSION OR DISPOSITION OF, OR OTHER RELIEF RELATING TO, REAL PROPERTY, THE MARKS, OR THE CONFIDENTIAL INFORMATION, IN ANY STATE OR**

FEDERAL DISTRICT COURT WHICH HAS JURISDICTION.

(b) **WAIVER OF JURY TRIAL.** FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

(c) **WAIVER OF PUNITIVE DAMAGES.** THE PARTIES HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

(d) **WAIVER OF CLASS ACTION.** EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES THE RIGHT TO LITIGATE ON A CLASS ACTION BASIS, IN ANY CLAIM, ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY ANY PARTY.

17.4. LIMITATION PERIOD. FRANCHISEE MUST BRING ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP BETWEEN FRANCHISOR AND FRANCHISEE WITHIN TWO (2) YEARS FROM THE DATE ON WHICH THE VIOLATION, ACT, OR CONDUCT GIVING RISE TO THE CLAIM OCCURS, REGARDLESS OF WHEN FRANCHISE KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIM, OR FRANCHISEE'S CLAIM WILL BE BARRED UNLESS A JUDICIAL PROCEEDING, AS PERMITTED, IS COMMENCED IN THE APPROPRIATE FORUM WITHIN THIS TWO-YEAR PERIOD.

17.5. Attorneys' Fees. If either party commences a legal action against the other party arising out of or in connection with this Agreement, the prevailing party will be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit.

ARTICLE 18. MISCELLANEOUS

18.1 Relationship of the Parties. The parties are independent contractors, and neither is the agent, partner, joint venture, or employee of the other. Franchisor is not a fiduciary of Franchisee. Franchisor does not control or have the right to control Franchisee or its Business. Any required specifications and standards in this Agreement and in the System Standards exist to protect Franchisor's interest in the System and the Marks, and the goodwill established in them, and not for the purpose of establishing any control, or duty to take control, over the Business. Franchisor has no liability for Franchisee's obligations to any third party whatsoever.

18.2 No Third-Party Beneficiaries. This Agreement does not confer any rights or remedies upon any person or entity other than Franchisee, Franchisor, and Franchisors' affiliates.

18.3 Entire Agreement. This Agreement constitutes the entire agreement of the parties and supersedes all prior negotiations and representations. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made by Franchisor in its franchise disclosure document.

18.4 Modification. No modification or amendment of this Agreement will be effective unless it is in writing and signed by both parties. This provision does not limit Franchisor's rights to modify the Operations Manual or System Standards.

18.5 Consent; Waiver. No consent under this Agreement, and no waiver of satisfaction of a condition or nonperformance of an obligation under this Agreement will be effective unless it is in writing and signed by the party granting the consent or waiver. No waiver by a party of any right will affect the party's rights

as to any subsequent exercise of that right or any other right. No delay, forbearance or omission by a party to exercise any right will constitute a waiver of such right.

18.6 Cumulative Remedies. Rights and remedies under this Agreement are cumulative. No enforcement of a right or remedy precludes the enforcement of any other right or remedy.

18.7 Severability. The parties intend that (i) if any provision of this Agreement is held by an arbitrator or court to be unenforceable, then that provision be modified to the minimum extent necessary to make it enforceable, unless that modification is not permitted by law, in which case that provision will be disregarded, and (ii) if an unenforceable provision is modified or disregarded, then the rest of this Agreement will remain in effect as written.

18.8 Governing Law. The laws of the state of Texas (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties. The parties agree that any Texas law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 18.8.

18.9 Holdover. If Franchisee continues operating the Business after the expiration of the term without a renewal agreement or successor franchise agreement executed by the parties in accordance with Section 3.2, then at any time (regardless of any course of dealing by the parties), Franchisor may by giving written notice to Franchisee (the "Holdover Notice") either (i) require Franchisee to cease operating the Business and comply with all post-closing obligations effective immediately upon giving notice or effective on such other date as Franchisor specifies, or (ii) bind Franchisee to a renewal term of 5 years and deem Franchisee and its Owners to have made the general release of liability described in Section 3.2(vi).

18.10 Joint and Several Liability. If two or more people sign this Agreement as "Franchisee", each will have joint and several liability.

18.11 No Offer and Acceptance. Delivery of a draft of this Agreement to Franchisee by Franchisor does not constitute an offer. This Agreement shall not be effective unless and until it is executed by both Franchisee and Franchisor.

18.12 Persons Bound. This Agreement will be binding on the parties and their respective successors and assigns. Each Owner must execute the Personal Guaranty attached as Attachment 3. Failure or refusal to do so will constitute a breach of this Agreement. Franchisee and each Owner will be jointly and severally liable for each other's obligations hereunder and under the Personal Guaranty.

18.13. Timing. Time is of the essence with respect to all provisions in this Agreement. Notwithstanding the foregoing, if performance of either party is delayed because of a Force Majeure, the applicable deadline for performance will be extended for a period commensurate with the Force Majeure, but not to exceed 12 months.

18.14. Business Judgment Rule. Because complete and detailed uniformity under many varying conditions might not be possible or practical, Franchisee acknowledge that Franchisor specifically reserve the full right and privilege, as Franchisor deems best according to their business judgment, to vary Brand Standards or other aspects of the Franchise System for any franchisee. Franchisee have no right to require Franchisor to grant Franchisee a similar variation or accommodation. Franchisor have the right to develop, operate, and change the Franchise System in any manner this Agreement does not specifically prohibit. Whenever this Agreement reserves Franchisor's right to take or withhold an action, or to grant or decline to grant Franchisee the right to take or omit an action,

Franchisor may, except as this Agreement specifically provides, make their decision or exercise their rights based on information then available to them and their judgment of what is best for Franchisor and Arwa franchisees generally, or the Franchise System when they make decisions, whether or not they could have made other reasonable or even arguably preferable alternative decisions and whether or not their decision

promotes their financial or other individual interest. Franchisee acknowledge and agree that this exercise of our business judgement is not reviewable by a judge or arbitrator.

18.15 Remedies Cumulative. All rights and remedies of the parties to this Agreement are cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure, or default or threatened breach, failure, or default of any term, provision, or condition of this Agreement or any other agreement between Franchisee or any of its Affiliates and Franchisor or any of its Affiliates. The rights and remedies of the parties to this Agreement will be continuing and will not be exhausted by any one or more uses thereof and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination, or exercise of Franchisor's rights pursuant to Section 14. of this Agreement will not discharge or release Franchisee or any Owner from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination, or the exercise of such rights under this Agreement. Additionally, Franchisee and Owners will pay all court costs and reasonable attorneys' fees and costs incurred by Franchisor in obtaining any remedy available to Franchisor for any violation of this Agreement.

18.16. No Third-Party Beneficiary. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, Franchisor's officers, directors, and personnel and such of Franchisee's and Franchisor's respective successors and assigns as may be contemplated (and, as to Franchisee, authorized by Section 15.) any rights or remedies under or as a result of this Agreement.

18.17. No Affiliate Liability. Franchisee acknowledge and agree that none of Franchisor's past, present, or future directors, officers, employees, incorporators, members, partners, stockholders, subsidiaries, parents, affiliates, controlling parties, entities under common control, ownership, or management, vendors, service providers, agents, attorneys, or representatives will have any liability for (i) any of Franchisor's obligations or liabilities relating to or arising from this Agreement, (ii) any claim against Franchisor based on, in respect of, or by reason of the relationship between Franchisee and Franchisor, or (iii) any claim against Franchisor based on any of Franchisor's alleged unlawful acts or omissions.

18.18. No Withholding Payments. Franchisee may not withhold payment of any amounts owed to Franchisor or Franchisor's affiliates due to their alleged nonperformance of their obligations under this Agreement or for any other reason. Franchisee specifically waive any rights Franchisees have at law or in equity to offset any monies Franchisee owes Franchisor or our affiliates or to fail or refuse to perform any of Franchisee's obligations under this Agreement.

18.19 Disavowal of Oral Representations. Both parties acknowledge that each want all terms of the business relationship to be defined in this written agreement, and that neither party wants to enter into a business relationship with the other in which any terms or obligations are subject to any oral statements or in which oral statements serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations as set forth in this Agreement. Therefore, both parties agree that this Agreement will supersede and cancel any prior and/or contemporaneous discussions between the Franchisor and the Franchisee. Each party agrees that neither party has placed nor will place any reliance on any such discussions. Franchisee agrees that no representations have been made to the Franchisee concerning this Agreement or the Arwa Coffee franchise other than as contained in this Agreement and in the Franchise disclosure document Franchisee has received before the Franchisee signed this Agreement. Franchisee agrees that no claims, representations, warranties, or guarantees, express or implied, regarding actual or potential earnings, sales, profits, or success of your Arwa Coffee franchise have been made to the Franchisee other than as set forth in Item 19 of the FDD.

ARTICLE 19. ACKNOWLEDGEMENTS

By signing this Agreement, Franchisee acknowledges the following:

- (1) Franchisee understands all the information in Franchisor' disclosure document.
- (2) Franchisee understands the success or failure of the Business will depend in large part upon Franchisee's skills, abilities and efforts and those of the persons Franchisee employs, as well as many factors beyond Franchisee's control such as weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms, and the marketplace.
- (3) That no person acting on Franchisor's behalf made any statement or promise regarding the costs involved in operating a Franchise that is not in the disclosure document or that is contrary to, or different from, the information in the disclosure document.
- (4) That no person acting on Franchisor' behalf made any claim or representation to Franchisee, orally, visually, or in writing, that contradicted the information in the disclosure document.
- (5) That no person acting on Franchisor' behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money Franchisee may earn, or the total amount of revenue a Franchisor will generate, that is not in the disclosure document or that is contrary to, or different from, the information in the disclosure document.
- (6) That no person acting on Franchisor' behalf made any statement or promise or agreement, other than those matters addressed in this Agreement, concerning advertising, marketing, media support, market penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the disclosure document.
- (7) Franchisee understands that this Agreement contains the entire agreement between Franchisor and Franchisee concerning the Franchisor, which means that any oral or written statements not set out in this Agreement will not be binding. In deciding to enter into this Agreement, Franchisee is not relying on any statement, promise, claim, or representation not expressly set forth in this Agreement or in the disclosure document.

[signature page follows]

Intending to be legally bound, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative as of the Effective Date.

FRANCHISOR:

Arwa Coffee Franchising LLC
a Texas limited liability company

FRANCHISEE:

By: _____
Faris Almatrahi, CEO

By: _____
[name, title]

Attachment 1 to Franchise Agreement

OWNERSHIP INFORMATION

If the Franchisee operates the business other than as a sole proprietorship, please complete the following:

- **1. Form of Ownership.** Franchisee is a (check one):

_____ Sole Proprietorship
_____ Partnership
_____ Limited Liability Company
_____ Corporation

State of Incorporation or Residency:

- **2. Owners.** If Franchisee is a Partnership, limited liability company or corporation:

Name	Shares or Percentage of Ownership			

- **3. Officers.** If Franchisee is a limited liability company or corporation:

Name	Title

FRANCHISOR:

ARWA Coffee Franchising LLC,
a Texas limited liability company

FRANCHISEE:

By: _____
Faris Almatrahi, ~~Director~~ CEO

By: _____
[name, title]

Attachment 2 to Franchise Agreement

SITE SELECTION AREA LOCATION, DESIGNATED AREA AND OPENING DAY

Section 2.2. The Designated Area of the Coffee Shop is _____ mile radius surrounding the physical Location of the Coffee Shop with the front door of the Location serving as the center point.

Section 6.1. The Site Selection Area is [attach map or insert zip codes]:

Section 6.1. As approved by the Franchisor, the Location of the Coffee Shop Address is:

The Opening Date is _____

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, have executed this Attachment 2 to be effective as of the Effective Date of the Franchise Agreement.

FRANCHISOR:
Arwa Coffee Franchising LLC,
a Texas limited liability company

FRANCHISEE:

By: _____
Faris Almatrahi, CEO

By: _____
[name, title]

Attachment 3 to Franchise Agreement

PERSONAL GUARANTY AND RESTRICTIVE COVENANT AGREEMENT

This Personal Guaranty and Restrictive Covenant Agreement (this “Guaranty”) is executed by the undersigned person(s) (each, a “Guarantor”) in favor of Arwa Coffee Franchising LLC, a Texas limited liability company ("Arwa" or “Franchisor”)

Background Statement: _____ (“Franchisee”) desires to enter into a Franchise Agreement with Arwa Coffee Franchising LLC for the franchise of an Arwa Coffee Shop (the “Franchise Agreement”; capitalized terms used but not defined in this Guaranty have the meanings given in the Franchise Agreement). Guarantor owns an equity interest in Franchisee. Guarantor is executing this Guaranty in order to induce Franchisor to enter into the Franchise Agreement.

Guarantor agrees as follows:

1. Guaranty. Guarantor hereby unconditionally guarantees to Arwa and its successors and assigns that Franchisee shall pay and perform every undertaking, agreement and covenant set forth in the Franchise Agreement and further guarantees every other liability and obligation of Franchisee to Arwa, whether or not contained in the Franchise Agreement. Guarantor shall render any payment or performance required under the Franchise Agreement or any other agreement between Franchisee and Arwa upon demand from Arwa. Guarantor waives (a) acceptance and notice of acceptance by Arwa of this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations of Franchisee; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right Guarantor may have to require that an action be brought against Franchisee or any other person or entity as a condition of liability hereunder; (e) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution of and performance under this Guaranty by the undersigned; (f) any law which requires that Arwa make demand upon, assert claims against or collect from Franchisee or any other person or entity (including any other guarantor), foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any other person or entity (including any other guarantor) prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guaranty; and (g) any and all other notices and legal or equitable defenses to which Guarantor may be entitled.

2. Confidential Information. With respect to all Confidential Information Guarantor shall (a) adhere to all security procedures prescribed by Arwa Coffee Franchising LLC for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized or approved in writing by Arwa, (d) exercise the highest degree of diligence and make every effort to maintain the confidentiality of all such information during and after the term of the Franchise Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Guarantor acknowledges that all Confidential Information is owned by Arwa or its affiliates (except for Confidential Information which Arwa licenses from another person or entity). Guarantor acknowledges that all customer data generated or obtained by Guarantor is Confidential Information belonging to Arwa. This Section will survive the termination or expiration of the Franchise Agreement indefinitely.

3. Covenants Not to Compete.

~~(a) Restriction - In Term. During the term of the Franchise Agreement, Guarantor shall acknowledge that they will receive valuable, specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques, and trade secrets of Franchisor and the System. Guarantor covenant and agree that during the Term of the Franchise Agreement, Guarantor, will not, either directly or indirectly have any ownership interest in, for themselves, or be engaged through, on behalf of, or employed by, any Competitor in conjunction with any person, or legal entity:~~

~~(b) Restriction - Post Term. For two years after the Franchise Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer by Guarantor), Guarantor shall not directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor located within five miles of Franchisee's Designated Area or designated area of any other Arwa Coffee Shop operating on the date of termination or transfer, as applicable.~~

- ~~i. Divert or attempt to divert any present or prospective customer of a Coffee Shop to any competitor, by direct or indirect inducement or otherwise, do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.~~
- ~~ii. Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any fast casual, quick service, or full service Coffee Shop, of any type, that offers coffee and assorted café items as a primary menu item that derives more than 25% of its revenue from the sale of coffee and assorted café items. or~~
- ~~iii. Other than pursuant to a then-current franchise agreement or license with the Franchisor, operate a Coffee Shop at any location within the United States, its territories or commonwealths, or any other country, province, state, or geographic area in which Franchisor or its Affiliates have used, sought registration of, or registered the Marks or similar marks or operate or license others to operate a business under the Marks or similar marks.~~
- ~~iv. Guarantor shall not perform, directly or indirectly, any act injurious or prejudicial to the goodwill associated with the Marks or the System.~~

~~(b) Restriction - Post Term. For three years after the Franchise Agreement expires or is terminated for any reason (or, if applicable, for three years after a Transfer by Franchisee), Guarantor shall not either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as an owner or otherwise) or relationship or association with any casual, fast-casual, or quick-service coffee shop, retail coffee shop, food truck, kiosk, cart, or store inside store of any type, that offers coffee and assorted café items as a primary menu item or that derives more than 25% of its revenue from the sale of coffee and assorted café items, other than a Coffee Shop operated pursuant to a then-currently effective franchise agreement with Franchisor, at any location within the United States, its territories, or commonwealths, or any other country, province, state, or geographic area in which Franchisor or its Affiliates have used, sought registration of, or registered the Marks or similar marks, or operate or license others to operate a business under the Marks or similar marks, at the time of such expiration, termination, or transfer. If Guarantor ceases to be a Guarantor of the Franchisee for any reason during the Term of this Franchise Agreement, the foregoing covenant will apply to the departing~~

Guarantor for a three-year period beginning on the date such person ceases to meet the definition of a Guarantor. The time periods relating to the obligations described in this section will be tolled during any period of noncompliance.

(c) **Interpretation.** Guarantor agrees that each of the foregoing covenants is independent of any other covenant or provision of this Guaranty or the Franchise Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any court, then the parties intend that the court modify such restriction to the extent reasonably necessary to protect the legitimate business interests of Arwa Coffee Franchising LLC. Guarantor agrees that the existence of any claim it or Franchisee may have against Arwa Coffee Franchising LLC shall not constitute a defense to the enforcement by Arwa Franchising LLC of the covenants of this Section. If Guarantor fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

4. Modification. Guarantor agrees that Guarantor's liability hereunder shall not be diminished, relieved, or otherwise affected by (a) any amendment of the Franchise Agreement, (b) any extension of time, credit, or other indulgence which Arwa Coffee Franchising LLC may from time-to-time grant to Franchisee or to any other person or entity, or (c) the acceptance of any partial payment or performance or the compromise or release of any claims.

5. Governing Law; Dispute Resolution. This Guaranty shall be governed by and construed in accordance with the laws of the state of Texas (without giving effect to its principles of conflicts of law). The parties agree that any Texas law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 6. The provisions of Article 17 (Dispute Resolution) of the Franchise Agreement apply to and are incorporated into this Guaranty as if fully set forth herein. Guarantor shall pay to Arwa Coffee Franchising LLC all costs incurred by Arwa Coffee Franchising LLC (including reasonable attorney fees) in enforcing this Guaranty. If multiple Guarantors sign this Guaranty, each will have joint and several liability.

[Remainder of Page Intentionally Left Blank]

Agreed to by:

Name: _____

Address: _____

Date: _____

Name: _____

Address: _____

Date: _____

Name: _____

Address: _____

Date: _____

Attachment 4 to Franchise Agreement

AUTHORIZATION AGREEMENT FOR DIRECT PAYMENTS (ACH DEBITS)

Please complete and sign this form.

FRANCHISEE INFORMATION

Franchisee Name or Legal Entity _____

Arwa Coffee Shop Location _____

Name and Email of Person to Receive ACH Debit Advice _____

AUTHORIZATION AGREEMENT

I (we) hereby authorize Arwa Coffee Franchising LLC (“Company”) to make ACH withdrawals from my (our) account at the financial institution named below. I also authorize the Company to initiate direct deposits into this account in the event that a debit entry is made in error. I (we) acknowledge that the origination of ACH transactions to or from my (our) account must comply with the provisions of U.S. law.

I agree to indemnify the Company for any loss arising in the event that any withdrawals from my (our) account shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

This agreement will remain in effect until the Company has received advanced written notice of cancellation from me (us) in such time and in such manner as to afford the Company a reasonable opportunity to act on it, and in no event shall such notice period be less than 30 days.

PAYOR/FRANCHISEE ACCOUNT INFORMATION

Name of Financial Institution: _____

ABA Routing Number _____

Account Number: _____

Checking _____

Savings _____

PAYOR/FRANCHISEE SIGNATURE

Authorized Signature (Primary): _____ Date: _____

Authorized Signature
(Joint) _____ Date: _____

Account holder(s), please sign here: (Joint accounts require the signature of all persons having authority over the account).

Please attach a voided check at right, fax and mail to:

Arwa Coffee Franchising LLC
Attn: Manager
~~616 Business Parkway~~
~~Richardson~~ 1300 N Interstate 35, Suite 100
Carrollton, TX 7508175006

Attachment 5 to Franchise Agreement

RIDER TO LEASE AGREEMENT

Landlord: _____
Notice Address: _____

Telephone: _____

Franchisor: Arwa Coffee Franchising LLC
Notice Address:
Telephone:
Email:

Tenant: _____

Leased Location: _____
Effective Date _____

1. Use. Tenant is a franchisee of Franchisor. The Leased Location shall be used only for the operation of an Arwa Coffee Shop (or any name authorized by Franchisor).

2. Notice of Default and Opportunity to Cure. Landlord shall provide Franchisor with copies of any written notice of default (“Default”) given to Tenant under the Lease, and Landlord grants to Franchisor the option (but not the obligation) to cure any Default under the Lease (should Tenant fail to do so) within 10 days after the expiration of the period in which Tenant may cure the Default.

3. Termination of Lease. Landlord shall copy Franchisor on any notice of termination of the Lease. If Landlord terminates the Lease for Tenant’s Default, Franchisor shall have the option to enter into a new Lease with Landlord on the same terms and conditions as the terminated Lease. To exercise this option, Franchisor must notify Landlord within 15 days after Franchisor receives notice of the termination of the Lease.

4. Termination of Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated during the term of the Lease for any reason, then upon the written request of Franchisor, Franchisor shall have the right (but not the obligation) to require Tenant to assign the Lease to Franchisor. Landlord hereby consents to the assignment of the Lease to Franchisor.

5. Assignment and Subletting. Notwithstanding any provision of the Lease to the contrary, Tenant shall have the right to assign or sublet the Lease to Franchisor, provided that no such assignment or sublease shall relieve Tenant or any guarantor of liability under the Lease. If Franchisor becomes the lessee of the Leased Location, then Franchisor shall have the right to assign or sublease its lease to a franchisee of the Arwa Coffee brand. Any provision of the Lease which limits Tenant’s right to own or operate any other Arwa Coffee Shop in proximity to the Leased Location shall not apply to Franchisor.

6. Authorization. Tenant authorizes Landlord and Franchisor to communicate directly with each other about Tenant and Tenant’s business.

7. Right to Enter. Upon the expiration or termination of the Franchise Agreement or the Lease, or the termination of Tenant’s right of possession of the Leased Location, Franchisor or its designee may, after giving reasonable prior notice to Landlord, enter the Leased Location to remove signs and other material bearing Franchisor’s brand name, trademarks, and commercial symbols, provided that Franchisor will be liable to Landlord for any damage Franchisor or its designee causes by such removal.

8. No Liability. By executing this Rider, Franchisor does not assume any liability with respect to the Leased Location or any obligation as Tenant under the Lease. Landlord acknowledges and agrees that notwithstanding any terms or conditions contained in this agreement or any other agreement, Franchisor shall in no way be construed as a guarantor or surety of Tenant's obligations under the Lease. Notwithstanding the foregoing, in the event Franchisor becomes the tenant by assignment of the Lease in accordance with the terms hereof or enters into a new lease with Landlord, then Franchisor shall be liable for all obligations of Tenant on its part to be performed or observed under the Lease or a new lease only after the effective date of such assignment or new lease.

Executed by:

LANDLORD:

By: _____

Name: _____

Title: _____

Date: _____

TENANT:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

ARWA COFFEE FRANCHISING LLC

By: _____

Name: _____

Title: _____

Date: _____

Attachment 6 to Franchise Agreement

CONFIDENTIALITY AND NONCOMPETITION AGREEMENT

In accordance with the terms of this Confidentiality and Noncompetition Agreement (“**Confidentiality Agreement**”) and in consideration of my relation to and/or connection with _____ (“**Franchisee**”), and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, I (“**Covenantor**”) hereby acknowledge and agree that:

1. Franchisee has acquired to right from Arwa Coffee Franchising LLC (“**Franchisor**”) to operate an Arwa Coffee Shop using Franchisor’s trade names, trademarks, and service marks (“**Marks**”) and the system developed by Franchisor and/or its affiliates to develop Coffee Shops (“**System**”), as they may be changed, improved, and further developed from time to time in Franchisor’s sole discretion.

2. Franchisor possesses certain proprietary and confidential information relating to the operation of the Coffee Shop, ~~which includes~~. “Confidential Information” means all trade secrets, the Standards, and other elements of the System; all customer information; customer list, all information contained in the Operations Manual; Franchisor’s Operational Manual, proprietary beverage and food recipes, trade secrets, and spice blends, and standards and specifications for product preparation, packaging and service; financial information; marketing data; vendor and supplier information; intellectual property, inventions, copyrighted materials, methods, and other techniques and know-how (“Confidential Information”). Any and all manuals, architectural plans, Coffee Shop design layout, color schemes, business records and plans, technical data, product ideas, contracts, financial information, pricing structure, discounts, computer programs and listings, source codes, object codes, sales leads, strategic alliances, partners, customers and client and supplier lists, all other knowledge, trade secrets, copyrighted materials, or know-how concerning the methods, information, knowledge, know-how, and techniques of operation of the Coffee Shop which may be communicated to Franchisee, list of the names, addresses and other information regarding Franchisee’s current clients, former clients, and those who have inquired about the Services or of which Franchisee may be apprised, by virtue of its operation under the terms of the Franchise Agreement, and all other information that Franchisor specifically designates as confidential are deemed to be Confidential Information for purposes of this Confidentiality Agreement.

3. Because I am a Covenantor, Franchisor and Developer will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, Franchisor’s Operational Manual, and other general assistance during the term of this Confidentiality Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Coffee Shop during the term hereof, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

5. The Confidential Information is proprietary, involves trade secrets of Franchisor, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by Franchisor as confidential. Unless Franchisor otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties to Franchisee and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. Except as otherwise approved in writing by Franchisor, I will not, while in my position with Franchisee and for a continuous uninterrupted period commencing upon the cessation or termination of my

relationship and/or position with Franchisee, regardless of the cause for cessation or termination, and continuing for ~~two~~three years thereafter, either directly or indirectly, for myself or through, on behalf of, or in conjunction with any other person, partnership, corporation, or other limited liability company own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to, or have any interest or relationship or association with any casual, fast-casual, or quick-service coffee ~~house~~house, retail coffee shop, food truck, kiosk, cart, or store inside store of any type, that offers coffee and/or assorted café items as a primary menu item or that derives more than 25% of its revenue from the sale of coffee and/or assorted café items at any location within a five-mile radius of the United States, its territories, or commonwealths, or any other country, province, state, or geographic area in which Franchisor or its Affiliates have used, sought registration of any Arwa Coffee, or registered the Marks or similar marks, or operate or license others to operate a business under the Marks or similar, nor will I directly or indirectly employ or seek to employ any employee of Franchisor or an Affiliate of Franchisor (collectively, “Employers”), unless such employee’s employment has been terminated for 120 days or more, or such employee has obtained written consent from Employer that the employee may be hired. The restrictions in this Section 6 do not apply to my ownership of less than a five percent beneficial interest in the outstanding securities of any publicly-held corporation. The time periods relating to the restrictions set forth in this Confidentiality Agreement will be tolled during any period of my noncompliance.

7. I agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Confidentiality Agreement. If all or any portion of a covenant in this Confidentiality Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Confidentiality Agreement.

8. I understand and acknowledge that Franchisor has the right, in its sole discretion, to reduce the scope of any covenant set forth in this Confidentiality Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof, and I agree to comply forthwith with any covenant as so modified. I also understand that neither I nor Franchisee may make any changes to this Confidentiality Agreement without the written consent of Franchisor.

9. Franchisor is a third-party beneficiary of this Confidentiality Agreement and may enforce it, solely and/or jointly with Franchisee. I am aware that my violation of this Confidentiality Agreement will cause Franchisor and Franchisee irreparable harm; therefore, I acknowledge and agree that Franchisee and/or Franchisor may apply for the issuance of an injunction preventing me from violating this Confidentiality Agreement, and I agree to pay Franchisee and Franchisor all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Confidentiality Agreement is enforced against me. Due to the importance of this Confidentiality Agreement to Franchisee and Franchisor, any claim I have against Franchisee or Franchisor is a separate matter and does not entitle me to violate or justify any violation of this Confidentiality Agreement.

10. This Confidentiality Agreement will be construed under the laws of the State of Texas.

11. **I WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING FRANCHISOR, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE DEVELOPMENT AGREEMENT AND/OR THE PERFORMANCE OF ANY PARTY UNDER THE DEVELOPMENT AGREEMENT.**

12. I acknowledge that I am to receive valuable information emanating from Franchisor’s principal business office, wherever it may be located. Therefore, with respect to all claims, controversies, and disputes, I irrevocably consent to personal jurisdiction and submit myself to the jurisdiction of the federal and state courts that service the county where Franchisor’s principal business office is located. Notwithstanding the foregoing, I acknowledge and agree that Franchisor or Franchisee may bring and maintain an action against me in any court of competent jurisdiction for injunctive or other extraordinary

relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions.

THE PARTIES HERETO, INTENDING TO BE LEGALLY BOUND, HAVE EXECUTED THIS CONFIDENTIALITY AGREEMENT AS OF THE DATES NOTED BELOW.

ACKNOWLEDGED BY FRANCHISEE

COVENANTOR

By: _____
[name, title]

[name], Individually

Address: _____

Date: _____

Date: _____

Attachment 6-B to Franchise Agreement

CONFIDENTIALITY AND NON-SOLICITATION AGREEMENT

In accordance with the terms of this Confidentiality and Non-solicitation Agreement (“**Confidentiality Agreement**”) and in consideration of my relation to and/or connection with (“**Franchisee**”), and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, I (“**Covenantor**”) hereby acknowledge and agree that:

1. Franchisee has acquired to right from Arwa Coffee Franchising LLC (“**Franchisor**”) to operate an Arwa Coffee Shop using Franchisor’s trade names, trademarks, and service marks (“**Marks**”) and the system developed by Franchisor and/or its affiliates to develop Coffee Shops (“**System**”), as they may be changed, improved, and further developed from time to time in Franchisor’s sole discretion.

2. Franchisor possesses certain proprietary and confidential information relating to the operation of the Coffee Shop. “**Confidential Information**” means all trade secrets, the Standards, and other elements of the System; all customer information; customer list, all information contained in the Operations Manual; Franchisor’s proprietary beverage and food recipes, spice blends, and standards and specifications for product preparation, packaging and service; financial information; marketing data; vendor and supplier information; intellectual property, inventions, copyrighted materials, methods, architectural plans, Coffee Shop design layout, color schemes, business records and plans, technical data, product ideas, contracts, financial information, pricing structure, discounts, computer programs and listings, source codes, object codes, sales leads, strategic alliances, partners, customers and client and supplier lists, all other knowledge, trade secrets, or know-how concerning the methods of operation of the Coffee Shop which may be communicated to Franchisee, list of the names, addresses and other information regarding Franchisee’s current clients, former clients, and those who have inquired about the Services or of which Franchisee may be apprised, by virtue of its operation under the terms of the Franchise Agreement, and all other information that Franchisor designates. I expressly acknowledge.

3. Because I am a Covenantor, Franchisor and Developer will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, Franchisor’s Operational Manual, and other general assistance during the term of this Confidentiality Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Coffee Shop during the term hereof, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition and breach of this Confidentiality Agreement.

5. The Confidential Information is proprietary, involves trade secrets of Franchisor, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by Franchisor as confidential. Unless Franchisor otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties to Franchisee and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. Non-Solicitation Except as otherwise approved in writing by Franchisor, I will not, while in my position with Franchisee and for a continuous uninterrupted period commencing upon the cessation or termination of my relationship and/or position with Franchisee, regardless of the cause for cessation or termination, and continuing for three years thereafter, either directly or indirectly, for myself or through,

on behalf of, or in conjunction with any other person, partnership, corporation, or other limited liability company directly or indirectly solicit, entice, or attempt to solicit or entice any clients, customers, employees contractors, suppliers, or vendors of the Franchisor or its affiliates. This restriction prohibits Covenantor from actively seeking to divert business or relationships away from the Franchisor or its affiliates. For the purpose of this Agreement, "solicitation" includes but is not limited to contacting, communicating or initiating discussions with the intent to influence the individual or entity to cease their relationship with the Franchisor or its affiliates or to establish a competing relationship. . Furthermore, this solicitation restricts and ensures Covenantor's interference with Franchisor or its affiliate's workforce.

7. The time periods relating to the restrictions set forth in this Confidentiality Agreement will be tolled during any period of my noncompliance.

8. I agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Confidentiality Agreement. If all or any portion of a covenant in this Confidentiality Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Confidentiality Agreement.

9. I understand and acknowledge that Franchisor has the right, in its sole discretion, to reduce the scope of any covenant set forth in this Confidentiality Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof, and I agree to comply forthwith with any covenant as so modified. I also understand that neither I nor Franchisee may make any changes to this Confidentiality Agreement without the written consent of Franchisor.

10. Franchisor is a third-party beneficiary of this Confidentiality Agreement and may enforce it, solely and/or jointly with Franchisee. I am aware that my violation of this Confidentiality Agreement will cause Franchisor and Franchisee irreparable harm; therefore, I acknowledge and agree that Franchisee and/or Franchisor may apply for the issuance of an injunction preventing me from violating this Confidentiality Agreement, and I agree to pay Franchisee and Franchisor all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Confidentiality Agreement is enforced against me. Due to the importance of this Confidentiality Agreement to Franchisee and Franchisor, any claim I have against Franchisee or Franchisor is a separate matter and does not entitle me to violate or justify any violation of this Confidentiality Agreement.

11. This Confidentiality Agreement will be construed under the laws of the State of Texas.

12. I WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING FRANCHISOR, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE DEVELOPMENT AGREEMENT AND/OR THE PERFORMANCE OF ANY PARTY UNDER THE DEVELOPMENT AGREEMENT.

13. I acknowledge that I am to receive valuable information emanating from Franchisor's principal business office, wherever it may be located. Therefore, with respect to all claims, controversies, and disputes, I irrevocably consent to personal jurisdiction and submit myself to the jurisdiction of the federal and state courts that service the county where Franchisor's principal business office is located. Notwithstanding the foregoing, I acknowledge and agree that Franchisor or Franchisee may bring and maintain an action against me in any court of competent jurisdiction for injunctive or other extraordinary relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions.

THE PARTIES HERETO, INTENDING TO BE LEGALLY BOUND, HAVE EXECUTED THIS CONFIDENTIALITY AGREEMENT AS OF THE DATES NOTED BELOW.

ACKNOWLEDGED BY FRANCHISEE COVENANTOR

By:

[name, title]

[name], Individually

Address:

Date:

Date:

Attachment 7 to Franchise Agreement

State Specific Addenda to the Franchise Agreement

**AMENDMENT TO THE FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF CALIFORNIA**

This Amendment to the Arwa Coffee Franchise Agreement dated _____, 20__ between Arwa Coffee Franchising LLC, (“Franchisor”) and _____ (“Franchisee”) is entered into simultaneously with the execution of the Franchise Agreement.

1. Section 4.1 of the Franchise Agreement is amended to reflect the following:

“The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.”

2. Section 18.19 of the Franchise Agreement is amended to remove the following language:

“Each party agrees that neither party has placed nor will place any reliance on any such discussions.”

5. Section 15.2 of the Franchise Agreement is amended with the following:

It is unlawful for a franchisor to prevent a franchisee from selling or transferring a franchise, all or substantially all of the assets of the Franchised Business, or a controlling or non-controlling interest in the Franchised Business, to another person provided that the person is qualified under the franchisor’s then-existing standards for the approval of new or renewing franchisees, these standards to be made available to the franchisee, as provided in Section 20029, if applicable, and to be consistently applied to similarly situated franchises operating within the franchise brand, and the franchisee and the buyer, transferee, or assignee comply with the transfer conditions specified in the franchise agreement. Any purported transfer without such approval shall be null and void and shall constitute a material breach of this Agreement. A Franchisee shall not have the right to sell, transfer, or assign the franchise, all or substantially all of the assets of the Franchised Business, or a controlling or non-controlling interest in the Franchised Business, without the written consent of the Franchisor, except that the consent shall not be withheld unless the buyer, transferee, or assignee does not meet the standards for new or renewing franchises described in subdivision (a) of the California Business and Professions Code, Section 20028, if applicable, or the Franchisee and the buyer, transferee, or assignee do not comply with the transfer conditions specified in the franchise agreement.

4. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under 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.

IN WITNESS WHEREOF, Franchisee and Franchisor have executed this Amendment to the Franchise Agreement simultaneously with the execution of the Franchise Agreement.

FRANCHISOR:
ARWA COFFEE FRANCHISING LLC

FRANCHISEE:

By: _____
Faris Almatrahi, CEO

By: _____
[name, title]

**AMENDMENT TO THE FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF ILLINOIS**

This Amendment to the Arwa Coffee Franchise Agreement dated _____, 20__ between Arwa Coffee Franchising LLC, (“Franchisor”) and _____ (“Franchisee”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The Illinois Attorney General's Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, 815 ILCS 705/1-44, (collectively, the “Act”). To the extent that this Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:
 - a. Illinois law governs the Franchise Agreement.
 - b. Payment of Initial Fees will be deferred until Franchisor has met its initial obligations to franchisee and franchisee has commenced business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor’s financial condition.
 - c. In conformance with Section 4 of the Illinois Franchise Disclosure Act any provision, in the Franchise Agreement that designates jurisdiction and venue in a forum outside the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
 - d. Your rights upon termination and non-renewal of the Franchise Agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
 - e. In conformance with Section 41 of the Illinois Franchise Disclosure Act any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
 - f. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, Franchisee and Franchisor have executed this Amendment to the Franchise Agreement simultaneously with the execution of the Franchise Agreement.

FRANCHISOR:
ARWA COFFEE FRANCHISING LLC

FRANCHISEE:

By: _____
Faris Almatrahi, CEO

By: _____
[name, title]

**AMENDMENT TO THE FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF MINNESOTA**

THIS AMENDMENT TO FRANCHISE AGREEMENT effective _____, (“Amendment”) is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (“Franchise Agreement”) between Arwa Coffee Franchising LLC (“Franchisor”) and _____ (“Franchisee”).

Where and to the extent that any of the provisions of this Amendment are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Amendment shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Amendment.

1. The provisions of this Amendment form an integral part of, and are incorporated into, the Franchise Agreement. This Amendment is being executed because: a) the offer or sale of the franchise to Franchisee was made in the State of Minnesota; b) Franchisee is a resident of the State of Minnesota; and/or c) the franchise will be located or operated in the State of Minnesota.
2. Franchisor will undertake the defense of any claim of infringement by third parties involving the mark, and Franchisee will cooperate with the defense in any reasonable manner required by Franchisor with any direct cost of such cooperation to be borne by Franchisor.
3. Minnesota law provides franchisees with certain termination and nonrenewal rights. As of the date of this Franchise Agreement, Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for nonrenewal of the Franchise Agreement.
4. Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
5. Section 17.3(b) (Jury Waiver) and Section 17.3(c) (Waiver of Punitive and Consequential Damages) are hereby deleted.
6. No Section providing for a general release as a condition of renewal or transfer will act as a release or waiver of any liability incurred under the Minnesota Franchise Act; provided, that this part shall not bar the voluntary settlement of disputes.
7. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rule 2860.4400(J). A court will determine if a bond is required.
8. Each provision of this Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of Minnesota Statutes Sections 80C.01 to 80C.22 are met independently without reference to this Amendment.
9. Section 4.1 is amended as follows:
“Based upon the Franchisor’s financial condition, the Minnesota Department of Commerce has required a financial assurance. Therefore, all initial fees and payments owed by the Franchisee shall be deferred until Franchisor completes its pre-opening obligations under the Franchise Agreement.”
10. Section 4.12(d) is amended to reflect the following:

“NSF checks are governed by Minnesota Statute 604.113 which puts a cap of \$30 on service charges.”

11. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the Effective Date.

FRANCHISOR:
ARWA COFFEE FRANCHISING LLC

FRANCHISEE:

By: _____
Faris Almatrahi, CEO

By: _____
[name, title]

**AMENDMENT TO THE FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF NEW YORK**

THIS AMENDMENT TO FRANCHISE AGREEMENT effective _____, (“Amendment”) is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (“Franchise Agreement”) between Arwa Coffee Franchising LLC (“Franchisor”) and _____ (“Franchisee”).

In recognition of the requirements of the General Business Law of the State of New York, Article 3, Section 687 and Article 33, Sections 680-695, and the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16, the Disclosure document for Accelerated Services Franchise, LLC, for use in the State of New York shall be amended as follows:

1. **Renewal.** Section 3.2 of the Franchise Agreement (with respect to signing a general release) is amended by the addition of the following language:

; provided, however, that all rights enjoyed by Franchisee and any causes of action arising in Franchisee’s favor from the provisions of Article 33 of the General Business Laws 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 GBL 687.4 and 687.5 be satisfied.

2. **Transfer by Franchisee to a Third Party.** Section 15.2 of the Franchise Agreement is amended by the addition of the following language:

; provided, however, that all rights enjoyed by Franchisee and any causes of action arising in Franchisee’s favor from the provisions of Article 33 of the General Business Laws 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 GBL 687.4 and 687.5 be satisfied.

3. **Choice of Law.** Section 17.1 of the Franchise Agreement is amended by the addition of the following language:

; however, the governing choice of law 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.

4. Each provision of this Amendment will be effective only to the extent that, with respect to the provision, the jurisdictional requirements of the New York General Business Law is met independently of this Amendment. Franchisor does not waive its right to challenge the enforceability of any state law and declares void or unenforceable any provision contained in this Agreement. Franchisor and Franchisee will enforce the provisions of this Agreement to the extent permitted by law.

IN WITNESS WHEREOF, Franchisee and Franchisor have executed this Amendment to the Franchise Agreement simultaneously with the execution of the Franchise Agreement.

FRANCHISOR:
ARWA COFFEE FRANCHISING LLC

FRANCHISEE:

By: _____
Faris Almatrahi, CEO

By: _____
[name, title]

**AMENDMENT TO THE FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF VIRGINIA**

THIS AMENDMENT TO FRANCHISE AGREEMENT effective _____, (“Amendment”) is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (“Franchise Agreement”) between Arwa Coffee Franchising LLC (“Franchisor”) and _____ (“Franchisee”).

1. The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.
2. Section 14.1, which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.);
3. Under Section 13.1564 of the Virginia Retail Franchising Act, it is unlawful for a Franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the 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.
4. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, Franchisee and Franchisor have executed this Amendment to the Franchise Agreement simultaneously with the execution of the Franchise Agreement.

FRANCHISOR:
ARWA COFFEE FRANCHISING LLC

FRANCHISEE:

By: _____
Faris Almatrahi, CEO

By: _____
[name, title]

**AMENDMENT TO THE FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF WASHINGTON**

THIS AMENDMENT TO FRANCHISE AGREEMENT effective _____, (“Amendment”) is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (“Franchise Agreement”) between Arwa Coffee Franchising LLC (“Franchisor”) and _____ (“Franchisee”).

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** 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.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee’s business for any reason during the term of the franchise agreement without the franchisee’s consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise

agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

- 11. Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
- 12. Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
- 13. Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
- 14. Noncompetition Covenants.** 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 provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.
- 15. Nonsolicitation Agreements.** 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.
- 16. Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
- 17. Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).
- 18. Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

IN WITNESS WHEREOF, Franchisee and Franchisor have executed this Amendment to the Franchise Agreement simultaneously with the execution of the Franchise Agreement.

FRANCHISOR: ARWA COFFEE FRANCHISING LLC **FRANCHISEE:**

By: Faris Almatrahi, CEO By: [name, title]

**AMENDMENT TO THE FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF WISCONSIN**

THIS AMENDMENT TO FRANCHISE AGREEMENT effective _____, (“Amendment”) is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (“Franchise Agreement”) between Arwa Coffee Franchising LLC (“Franchisor”) and _____ (“Franchisee”).

Where and to the extent that any of the provisions of this Amendment are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Amendment shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Amendment.

1. The Wisconsin Department of Financial Institutions Sections 31.01 to 32.07 applies to most, if not all, Franchise Agreements and prohibits the Termination, Cancellation, Non-Renewal of substantial change of the competitive circumstances of a Franchise Agreement without good cause. The Law further provides that 90 days prior written notice of the proposed termination, etc. must be given to the Franchisee. The Franchisee has 60 days to cure the deficiency and if the deficiency is so cured the notice is void. Section 23.1 of the Franchise Agreement (Choice of Law) is amended to state that the Wisconsin Department of Financial Institutions Sections 31.01 to 32.07 laws supersedes any provisions contained in the Franchise or License Agreement that are consistent with that law.
2. Each provision of this Amendment will be effective only to the extent that, with respect to the provision, the jurisdictional requirements of the Wisconsin Franchise Investment Law is met independently of this Amendment. Franchisor does not waive its right to challenge the enforceability of any state law and declares void or unenforceable any provision contained in this Agreement. Franchisor and Franchisee will enforce the provisions of this Agreement to the extent permitted by law.

IN WITNESS WHEREOF, Franchisee and Franchisor have executed this Amendment to the Franchise Agreement simultaneously with the execution of the Franchise Agreement.

FRANCHISOR:
ARWA COFFEE FRANCHISING LLC

FRANCHISEE:

By: _____ By: _____
Faris Almatrahi, CEO [name, title]

EXHIBIT D
FRANCHISE DISCLOSURE QUESTIONNAIRE

NOTICE FOR PROSPECTIVE FRANCHISEES WHO RESIDE IN, OR WHO INTEND TO OPERATE THE FRANCHISED BUSINESS IN THE STATE OF CALIFORNIA OR WASHINGTON: DO NOT COMPLETE THIS QUESTIONNAIRE OR TO RESPOND TO ANY OF THE QUESTIONS IN THIS QUESTIONNAIRE.

As you know, ARWA COFFEE FRANCHISING LLC (“we” or “us”) and you are preparing to enter into a Franchise Agreement for the operation of an ARWA Coffee Shop franchise. The purposes of this Franchise Disclosure Questionnaire are to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate, or misleading, to be certain that you have been properly represented in this transaction, and to be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise disclosure document, but you must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee. Please review each of the following statements and provide your initials as confirmation of each statement.

1. _____ I have received and personally reviewed the Franchise Agreement and each exhibit or scheduled attached to it.
2. _____ I have received and personally viewed the Franchise disclosure document as provided by ARWA COFFEE FRANCHISING LLC.
3. _____ I have signed the receipt for the franchise disclosure document indicating the date I received it.
4. _____ I understand all the information contained in the franchise disclosure document and the Franchise Agreement.
5. _____ I have discussed the benefits and risks of operating the ARWA Coffee Shop Coffee Shop with an attorney, accountant or other professional advisor and I do understand the risks associated with operating a Coffee Shop.
6. _____ I understand the risks of operating a ARWA Coffee Shop Franchise.
7. _____ I understand the success or failure of my ARWA Coffee Shop franchise will depend in large part upon my skills, abilities, and efforts and those of the person I employ, as well as many factors beyond my control such as weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms, and the marketplace.
8. _____ I understand that we are not obligated to provide assistance to you in finding and securing a location for your ARWA Coffee Shop franchised business, but we do have the right to approve or reject the proposal location.
9. _____ I understand that we are not responsible for any construction delays.
10. _____ I understand all disputes or claims I may have arising out of or under the Franchise Agreement must be brought in arbitration in the judicial district in which our principal place of business is located, if not resolved informally or by mediation.

11. _____ I understand the Franchise Agreement provides that I can only collect compensatory damages on any claim under the Franchise Agreement, and not any punitive, exemplary, incidental, indirect, special, consequential, or other damages (including, without limitation, loss of profits).
12. _____ I understand that the Operations Manager must successfully complete the training program prior to the Opening Date; and that if he or she fails, in our sole judgment, to satisfactorily complete our training program, and you fail to cure such default within 90 days following written notice from us, we may terminate the Franchise Agreement.
13. _____ I understand we do not have to sell you a franchise or additional franchises or consent to your purchase of existing franchises.
14. _____ I understand that the U.S. Government has enacted anti-terrorist legislation that prevents us from carrying on business with any suspected terrorist or anyone associated directly or indirectly with terrorist activities. I further acknowledge that I have never been a suspected terrorist or associated directly or indirectly with terrorist activity nor am I purchasing a ARWA Coffee Shop franchise with the intent or purpose of violating any anti-terrorism law or for obtaining money to be contributed to a terrorist organization.
15. _____ I understand that we will not approve your purchase of an ARWA Coffee Shop franchise if you are a suspected terrorist or associated directly or indirectly with terrorist activity.
16. _____ No employee or other person speaking on our behalf made any statement or promise concerning the revenues or profits of the Coffee Shop that we or our franchisees operate.
17. _____ No employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a ARWA Coffee Shop franchise that is not contained in the Franchise disclosure document or that is contrary to, or different from, the information contained in the Franchise disclosure document
18. _____ No Employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in our Franchise Agreement, concerning advertising, marketing, media support, marketing penetration, training, support services, or assistance that is contrary to, or different from, the information contained in the franchise disclosure document.
19. _____ I understand that the Franchise Agreement contains the entire agreement between us and me concerning ARWA Coffee Shop franchise, meaning that we are not bound by any prior oral or written statements that may have been made to you but which are not contained in the Franchise Agreement or franchise disclosure document.

Comments: _____

 Name of Franchisee/Applicant:

Date: _____
 _____, Individually

Date: _____

_____, Individually

EXHIBIT E
SAMPLE FORM OF GENERAL RELEASE

This general release (the “General Release”) is made and entered into on _____, _____ by and between Arwa Coffee Franchising LLC (“Franchisor”), _____ (“Franchisee”), _____ and _____ **Error! Reference source not found.** (together with the Franchisee, the “Franchisee Parties”). For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Franchisee Parties agree as follows.

1. To the maximum extent permitted by applicable law, the Franchisee Parties on behalf of themselves and each of their past and present parents, subsidiaries, affiliates, predecessors, successors, assigns, officers, directors, shareholders, partners, owners, members, managers, agents, attorneys, employees, and representatives (together with the Franchisee Parties, the “Releasing Parties”) do remise, release, waive, and forever discharge Arwa Coffee Franchising LLC, Arwa Coffee LLC, and each of their respective past and present parents, subsidiaries, affiliates, predecessors, successors, assigns, officers, directors, shareholders, partners, owners, members, managers, agents, attorneys, employees, and representatives (collectively, the “Franchisor Parties”) from any and all claims, demands, obligations, liabilities, actions, proceedings, agreements, debts, demands, damages, accounts, charges, invoices, discounts, incentives, allowances, controversies, expenses, attorneys’ fees, suits, arbitrations, and causes of action whatsoever, in law or equity, whether known or unknown, past, present, or future, which the Releasing Parties have, have had, claim to have, or may have against the Franchisor Parties including, but not limited to, any and all claims and damages in any way arising out of or related to (1) that franchise agreement between Arwa Coffee Franchising LLC and Franchisee dated _____, as amended; (2) any other franchise agreement or any other contract between any Releasing Party and any Franchisor Party; (3) the offer and sale of any Arwa Coffee franchise opportunity, (4) the disclosure requirements under the FTC Franchise Rule (16 CFR et seq); (5) any other state franchise law, (6) any alleged misrepresentations made by the Franchisor Parties in the sale of a franchise to the Releasing Parties or otherwise; (7) any and all claims arising under local, state, and federal laws, rules, and ordinances, whether statutory or under common law; (8) Arwa Coffee franchise located at _____; and (9) any relationship between the Releasing Parties and the Franchisor Parties.

2. The Releasing Parties acknowledge this General Release extends to all claims the Releasing Parties do not know or suspect to exist in their favor at the time of executing this General Release, which if were known to exist may have materially affected the decision to enter into this General Release. The Releasing Parties understand the facts in respect of which this General Release is given may hereafter turn out to be other than or different from the facts known or believed to be true and agree this General Release shall be in all respects effective and not subject to termination or rescission by any such difference in facts. By executing this General Release, the Releasing Parties expressly assume the risk of the facts turning out to be different and agree this General Release shall be in all respects effective and not subject to termination or rescission by any such difference in facts. The Releasing Parties acknowledge and agree that they have had the opportunity to seek the advice of and are represented by independent legal counsel and have read and understood all the terms and provisions of this General Release. The Releasing Parties, jointly and individually, covenant and agree that none of them will commence, maintain, participate in, or prosecute any claim, demand, suit, action, or cause of action against the Franchisor Parties concerning the claims released in this General Release.

3. This General Release represents the entire agreement of the parties regarding the subject matter hereof and may only be modified in writing.

[If Releasor is domiciled or has his or her principal place of business in the State of California]

WAIVER OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE.

_____ (“Releasor”) for myself and on behalf of all persons acting by or through me, acknowledge that I am familiar with Section 1542 of the California Civil Code, which reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH 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 RELEASING PARTY.

Releasor hereby waives and relinquishes every right or benefit which I have under Section 1542 of the Civil Code of the State of California, and any similar statute under any other state or federal law, to the fullest extent that they may lawfully waive such right or benefit. In connection with this waiver and relinquishment, Releasor acknowledges he or she may hereafter discover facts in addition to or different from those which he or she now knows or believes to be true with respect to the claims herein released, but that it is the parties’ intention, subject to the terms and conditions of this General Release, to fully, finally and forever settle and release all such claims, known or unknown, suspected or unsuspected, which now exist, may exist or did exist. In furtherance of such intention, the releases given in this General Release shall be and remain in effect as full and complete releases, notwithstanding the discovery or existence of any such additional or different facts.

Releasor warrants and represents the release set forth above is a complete defense to any claim encompassed by its terms, and covenants not to initiate, prosecute, or otherwise participate in any action or proceeding in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any person or entity released under this General Release with respect to any Claim or cause of action released under this General Release..

[If Releasor is domiciled or has his or her principal place of business in the State of Washington or if the franchised business is located in the State of Washington]

Notwithstanding anything to the contrary, this General Release does not apply to any claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

(SIGNATURE PAGE FOLLOWS.)

IN WITNESS WHEREOF, the parties hereto have executed this General Release as of the dates set forth below.

FRANCHISEE PARTIES:

a _____

By: _____
_____, its _____

_____, individually

[This General Release will be modified as necessary for consistency with any state law regulating franchising.]

EXHIBIT F
FINANCIAL STATEMENTS

Arwa Coffee Franchising, LLC

**Independent Auditor's Report
And
Financial Statements
December 31, 2024**

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Metwally CPA PLLC

CERTIFIED PUBLIC ACCOUNTANT

1312 Norwood Dr STE 100, Bedford, Texas 76022

Cell: 214-200-5434 (Mohamed Metwally) Mmetwally@metwallycpa.com

Independent Auditor's Report

To the Members of
Arwa Coffee Franchising, LLC

Opinion

We have audited the accompanying financial statements of Arwa Coffee Franchising, LLC (the Company), which comprise the balance sheet as of December 31, 2024 and the related statements of operations, members' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arwa Coffee Franchising, LLC as of December 31, 2024 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Arwa Coffee Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Arwa Coffee Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Arwa Coffee Franchising, LLC'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 statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate that raise substantial doubt about Arwa Coffee Franchising, LLC'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.

Metwally CPA PLLC

Metwally CPA PLLC

Bedford, Texas

April 24, 2025

Arwa Coffee Franchising, LLC

**Balance Sheet
December 31, 2024**

	2024
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 21,134
Accounts receivable	65,000
Total Current Assets	86,134
Non-Current Assets	
Property and equipment, net	25,803
Total Non-Current Assets	25,803
Total Assets	\$ 111,937
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 26,229
Deferred revenue, current portion	12,100
Total Current Liabilities	38,329
Non-Current Liabilities	
Deferred revenue, net of current portion	103,733
Total Non-Current Liabilities	103,733
Total Liabilities	142,062
Members' Equity (Deficit)	
Members' equity (deficit)	(30,125)
Total Members' Equity (Deficit)	(30,125)
Total Liabilities and Members' Equity	\$ 111,937

The accompanying notes are an integral part of the financial statements.

Arwa Coffee Franchising, LLC
Statement of Operations
Year Ended December 31, 2024

	<u>2024</u>
Revenues	
Initial franchise fees	\$ 89,167
Total Revenues	<u>89,167</u>
Operating Expenses	
Legal and professional	66,678
General and administrative	47,089
Marketing and advertising	22,729
Depreciation	403
Total Operating Expenses	<u>136,899</u>
Net Income / (Loss)	<u>\$ (47,732)</u>

The accompanying notes are an integral part of the financial statements.

Arwa Coffee Franchising, LLC
Statement of Members' Equity
Year Ended December 31, 2024

Members' Equity At December 31, 2023	<u>\$ -</u>
Net income / (loss)	(47,732)
Members' contributions	27,607
Members' distributions	(10,000)
Members' Equity (Deficit) At December 31, 2024	<u>\$ (30,125)</u>

The accompanying notes are an integral part of the financial statements.

Arwa Coffee Franchising, LLC
Statement of Cash Flows
Year Ended December 31, 2024

	2024
Cash Flows From Operating Activities	
Net income / (loss)	\$ (47,732)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	403
Change in assets and liabilities	
Accounts receivable	(65,000)
Accounts payable and accrued liabilities	26,229
Deferred revenue	115,833
Net Cash Flows Provided By (Used In) Operating Activities	29,733
Cash Flows From Investing Activities	-
Purchase of property and equipment	(26,206)
Net Cash Flows Provided By (Used In) Investing Activities	(26,206)
Cash Flows From Financing Activities	
Members' contributions	27,607
Members' distributions	(10,000)
Net Cash Flows Provided By (Used In) Financing Activities	17,607
Net Change In Cash And Cash Equivalent During The Year	21,134
Cash and cash equivalents - beginning of the year	-
Cash And Cash Equivalent - End of The Year	\$ 21,134

The accompanying notes are an integral part of the financial statements.

Arwa Coffee Franchising, LLC
Notes To Financial Statements
December 31, 2024

1. COMPANY AND NATURE OF OPERATIONS

Arwa Coffee Franchising, LLC (the Company) was established in the state of Texas on November 06, 2023, for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their business as a franchise. The Company provide the qualified individual the rights to operate a coffee shop that offers Yemeni coffee, teas, pastries and other beverages under “Arwa Coffee” mark . The Company offers individual unit shops and area development units for the development of multiple units within a designated territory.

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 statements. The financial statements 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 financial statements.

A. Basis of Accounting

The Company’s financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

B. Cash and Cash Equivalents

For purposes of the Statement of cash flows, cash equivalents include bank accounts and cash in transit for bank deposits with maturities of three months or less to be cash equivalents.

C. Accounts Receivable

Accounts Receivable arise primarily from initial franchise fees are carried at their estimated collectible amounts, net of any estimated allowances for doubtful accounts. The Company provides an allowance for doubtful collections, which is based upon a review of outstanding receivables, historical collection information, existing economic conditions, and other relevant factors. The Company has determined that no allowance for doubtful accounts was necessary on December 31, 2024.

D. Federal Income Taxes

As a limited liability company, the Company’s taxable income or loss is allocated to members in accordance with their respective percentage ownership. Therefore, no provision for income taxes has been included in the financial statements.

E. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the assets which range from 3-5 years.

F. Concentration of Credit Risk

The Company maintains cash and cash equivalents with major financial institutions. At various times during the year, the total amount on deposit might 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.

G. Use of Estimates

The preparation of our Company's financial statements 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 statements 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.

H. Revenue Recognition

Revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers. The Company adopted ASU 2021-02 Franchisors - Revenue from Contracts with Customers (Subtopic 952-606) effective with the application of ASC Topic 606. The ASU provides a practical expedient to ASU2014-09 Revenue from contracts with Customers (Topic 606). The new guidance allows franchisors to simplify the application of the guidance about identifying performance obligations for franchisors that perform pre-opening services by allowing a franchisor to account for pre-opening services as distinct if they are consistent with those included in a predefined list of pre-opening services.

Franchise Fees

The franchise arrangement between the Company and each franchise owner is documented in the form of a franchise agreement and, in select cases, a development agreement. The franchise arrangement requires the Company as franchisor to perform various activities to support the brand and does not involve the direct transfer of goods and services to the franchise owner as a customer. Activities performed by the Company before opening are distinguished from the franchise license. Therefore, the Company recognizes franchise fees as two performance obligations. The nature of the Company's promise in granting the franchise license is to provide the franchise owner with access to the brand's intellectual property over the term of the franchise arrangement.

The transaction price in a standard franchise arrangement consists of (a) franchise/development fees; (b) Marketing, brand development and royalties Fees and (c) IT Fees; (d) Annual Conference Fees. The Company utilize ASC 606 five-steps revenue recognition model as follows:

- Identify the contract with the customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations.
- Recognize revenue when (or as) each performance obligation is satisfied.

The terms of the Company's franchise agreement will be as follows:

- The Company will grant the right to use the Company name, trademark, and system in the franchisee's franchise development business.
- The franchisee is obligated to pay a non-refundable initial franchise fee.
- The franchisee is obligated to pay monthly royalties, marketing, IT, and annual conference fees. Certain other fees are also outlined in the agreement.

Franchise revenues are recognized by the Company from the following different sources: The Company recognizes franchise fees as two (2) performance obligations. The first, pre-opening services, including access to manuals, assistance in site selection, and initial training, have been determined to be distinct services offered to franchisees. Pre-opening services are earned over a period using an input method of completion based on costs incurred for each franchisee at the end of each year.

The second, access to the franchise license, has been determined to be distinct. The amount allocated to the franchise license is earned over time as performance obligations are satisfied due to the continuous transfer of control to the franchisee. Franchise and development fees are paid in advance of the franchise opening, typically when entering into a new franchise or development agreement. Fees allocated to the franchise license are recognized as revenue on a straight-line basis over the term of each respective franchise agreement. Initial franchise agreement terms are typically 10 years while successive agreement terms are typically 10 years.

Variable Considerations

Franchise agreements contain variable considerations in the form of royalty fees and brand development (advertising). These fees are based on franchisee sales and are recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license.

Contracts Assets and Liabilities Balances

The Company incurs costs that are directly attributable to obtaining a contract, for example, commission fees, broker fees, and referral fees. Under ASC 606, costs that are directly associated with obtaining a contract are to be capitalized and recognized over the term of the agreement. Capitalized costs are included in deferred expenses on the accompanying balance sheet. As such, direct franchise license costs are recognized over the franchise and renewal term, which is the performance obligation, and is typically the franchise agreement's term. If a customer is terminated, the remaining deferred expense will be recognized as expenses.

Deferred revenue consists of the remaining initial franchise fees to be amortized over the life of the franchise agreements. Deferred revenue is a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year based on the number of franchise agreements signed.

The Company didn't generate any revenue as of the balance sheet date but will be implementing ASC 606 to recognize its revenue once a sale has been made.

I. Advertising and Marketing

Advertising and marketing costs are charged to operations in the year incurred.

J. 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 does not have any lease that meet the requirement to recognize a right-of-use asset and liability because the Company does not have any long-term leases.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurements of Credit Losses on Financial Instruments. ASU 2016-13, along with subsequent clarifications and improvements (collectively, ASC 326), replaces the incurred loss impairment methodology in prior U.S. GAAP with a methodology that instead reflects a current estimate of all expected credit losses on financial assets, including receivables. ASC 326 requires that the Company measure and recognize expected credit losses at the time the asset is recorded, while

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

Information regarding revenues disaggregated by the timing of when goods and services are transferred consist of the following for the year ended December 31, 2024:

	<u>2024</u>
Revenue recognized over time	\$ 89,167
Revenue recognized at a point in time	-
Total Revenue	<u>\$ 89,167</u>

Contract Balances

The following table provides information about the change in the franchise contract liability balances during the year ended December 31, 2024. Franchise contract liability is included in deferred revenue on the accompanying balance sheets:

	<u>2024</u>
Beginning balance	\$ -
Additional deferred revenue	205,000
Revenue recognized – additional deferred revenue	<u>(89,167)</u>
Deferred revenue	115,833
Less: current maturities	<u>(12,100)</u>
Deferred Revenue, net of current maturities	<u>\$ 103,733</u>

7. ADVERTISING EXPENSES

Advertising and marketing costs for the year ended December 31, 2024, were \$22,729. These costs were expensed as incurred.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 24, 2025, which is the date the financial statements were available to be issued. The Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.

Arwa Coffee Franchising, LLC

Independent Auditor's Report

And

Balance Sheet Statement

February 26, 2024

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Metwally CPA PLLC

CERTIFIED PUBLIC ACCOUNTANT

1312 Norwood Dr STE 100, Bedford, Texas 76022

Cell: 214-200-5434 (Mohamed Metwally) Mmetwally@metwallycpa.com

Independent Auditor's Report

To the members of
Arwa Coffee Franchising, LLC

Opinion

We have audited the accompanying balance sheet of Arwa Coffee Franchising, LLC (the "Company") as of February 26, 2024, and the related notes to the Financial Statement.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Arwa Coffee Franchising, LLC as of February 26, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Arwa Coffee Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Statement

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 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 Arwa Coffee Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statement is available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Arwa Coffee Franchising, LLC'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 Arwa Coffee Franchising, LLC's ability to continue as a going concern for a reasonable period. 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.

Metwally CPA PLLC

Metwally CPA PLLC

Bedford, Texas

March 12, 2024

Arwa Coffee Franchising, LLC
Balance Sheet
February 26, 2024

Assets

Current Assets

Cash and cash equivalent \$ 5,000

Total Current Assets \$ 5,000

Liabilities and Members' Equity

Total Liabilities \$ 0

Members' equity 5,000

Total Liabilities and Members' Equity \$ 5,000

The accompanying notes are an integral part of the financial statement.

Arwa Coffee Franchising, LLC
Notes to Financial Statement
February 26, 2024

1. COMPANY AND DESCRIPTION OF BUSINESS

Arwa Coffee Franchising, LLC (the "Company") was established in the state of Texas on November 06, 2023, for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their business as a franchise. The Company provide the qualified individual the rights to operate a coffee shop that offers Yemeni coffee, teas, pastries and other beverages under "Arwa Coffee" mark . The Company offers individual unit shops and area development units for the development of multiple units within a designated territory.

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").

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 does not include a provision for income taxes. The net income presented will include state-imposed taxes and fees as applicable.

D. Use of Estimates

The preparation of our Company's financial statements 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 statements 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. Revenue Recognition

Revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers. The Company adopted ASU 2021-02 Franchisors - Revenue from Contracts with Customers (Subtopic 952-606) effective with the application of ASC Topic 606. The ASU provides a practical expedient to ASU2014-09 Revenue from contracts with Customers (Topic 606). The new guidance allows franchisors to simplify the application of the guidance about identifying performance obligations for franchisors that perform pre-opening services by allowing a franchisor to account for pre-opening services as distinct if they are consistent with those included in a predefined list of pre-opening services.

Franchise Fees

The franchise arrangement between the Company and each franchise owner is documented in the form of a franchise agreement and, in select cases, a development agreement. The franchise arrangement requires the Company as franchisor to perform various activities to support the brand and does not involve the direct transfer of goods and services to the franchise owner as a customer. Activities performed by the Company before opening are distinguished from the franchise license. Therefore, the Company recognizes franchise fees as two performance obligations. The nature of the Company's promise in granting the franchise license is to provide the franchise owner with access to the brand's intellectual property over the term of the franchise arrangement.

The transaction price in a standard franchise arrangement consists of (a) franchise/development fees; (b) Marketing, brand development and royalties Fees and (c) IT Fees; (d) Annual Conference Fees. The Company utilize ASC 606 five-steps revenue recognition model as follows:

- Identify the contract with the customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations.
- Recognize revenue when (or as) each performance obligation is satisfied.

The terms of the Company's franchise agreement will be as follows:

- The Company will grant the right to use the Company name, trademark, and system in the franchisee's franchise development business.
- The franchisee is obligated to pay a non-refundable initial franchise fee.
- The franchisee is obligated to pay monthly royalties, marketing, IT, and annual conference fees. Certain other fees are also outlined in the agreement.

Franchise revenues are recognized by the Company from the following different sources: The Company recognizes franchise fees as two (2) performance obligations. The first, pre-opening services, including access to manuals, assistance in site selection, and initial training, have been determined to be distinct services offered to franchisees. Pre-opening services are earned over a period using an input method of completion based on costs incurred for each franchisee at the end of each year.

The second, access to the franchise license, has been determined to be distinct. The amount allocated to the franchise license is earned over time as performance obligations are satisfied due to the continuous transfer of control to the franchisee. Franchise and development fees are paid in advance of the franchise opening, typically when entering into a new franchise or development agreement. Fees allocated to the franchise license are recognized as revenue on a straight-line basis over the term of each respective franchise agreement. Initial franchise agreement terms are typically 10 years while successive agreement terms are typically 10 years.

Variable Considerations

Franchise agreements contain variable considerations in the form of royalty fees and brand development (advertising). These fees are based on franchisee sales and are recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license.

Contracts Assets and Liabilities Balances

The Company incurs costs that are directly attributable to obtaining a contract, for example, commission fees, broker fees, and referral fees. Under ASC 606, costs that are directly associated with obtaining a contract are to be

capitalized and recognized over the term of the agreement. Capitalized costs are included in deferred expenses on the accompanying balance sheet. As such, direct franchise license costs are recognized over the franchise and renewal term, which is the performance obligation, and is typically the franchise agreement's term. If a customer is terminated, the remaining deferred expense will be recognized as expenses.

Deferred revenue consists of the remaining initial franchise fees to be amortized over the life of the franchise agreements. Deferred revenue is a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year based on the number of franchise agreements signed.

The Company didn't generate any revenue as of the balance sheet date but will be implementing ASC 606 to recognize its revenue once a sale has been made.

G. 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 February 26, 2024, the Company's cash balance didn't 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. As of February 26, 2024, the Company has approximately \$5,000 in cash in their operating bank account.

4. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 12, 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 G

OPERATING MANUAL TABLE OF CONTENTS

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EXHIBIT H

CURRENT AND FORMER FRANCHISEES AND COMPANY-OWNED UNITS

Current Franchisees as of December 31, 2024

Names of all current franchisees (as of the end of our last fiscal year) and the address and telephone number of each of their Cafés:

— None

<u>NAME</u>	<u>ADDRESS</u>	<u>PHONE</u>
<u>Misfood LLC</u>	<u>12301 West Parmer Ln, Cedar Park, TX 78613</u>	

List of Franchisees with Signed Franchise Agreement but Coffee Shop has not opened as of December 31, 2024

<u>NAME</u>	<u>ADDRESS</u>	<u>PHONE</u>
<u>Tower Group Investment Holdings LLC</u>	<u>3124 Illinois Rt 59, Suite 118, Naperville, IL 60504</u>	<u>815-302-9830</u>
<u>RM Coffee LLC</u>	<u>11328 Glenbrook Circle, Plainfield, IL 60585</u>	<u>773-677-2320</u>
<u>Tower Group Investment Holdings LLC</u>	<u>2482 W Schaumburg Rd, Schaumburg, IL 60194</u>	<u>815-302-9830</u>
<u>Sub Shai LLC</u>	<u>30 Sylvan Lane, Boylston, MA 01505</u>	<u>508-769-3885</u>
<u>Coffee Gurus Murphy LLC</u>	<u>109 Murphy Road, Murphy, Texas 75094</u>	<u>210-862-4199</u>

Former Franchisees

Name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had a Coffee Shop terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the disclosure document issuance date:

None

Affiliate Owned Locations

<u>NAME</u>	<u>ADDRESS</u>	<u>PHONE</u>
<u>Arwa Coffee LLC</u>	<u>3211 Preston Road, Suite 1, Frisco, TX 75034</u>	<u>(214)782-9749</u>

Arwa Coffee LLC	888 S Greenville Ave, Suite 223, Richardson, TX 75081	(214)782-9749
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EXHIBIT I
STATE EFFECTIVE DATE

STATE EFFECTIVE DATES

The following states require that the 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 disclosure document is registered, on file, or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

State	Effective Date
California	April 10, 2024 Pending
Illinois	April 29, 2024 Pending 2024
Minnesota	Pending
New York	April 8, 2024 Pending
Michigan	February 20, 2024 Pending
Virginia	April 4, 2024 Pending
<u>Washington</u>	<u>Pending</u>
<u>Wisconsin</u>	<u>Pending</u>

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 J
RECEIPTS

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Arwa Coffee Franchising 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, or sooner if required by your state applicable law. Applicable state laws in Michigan requires us to provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires us to provide the disclosure document at the earlier of the first personal meeting or 10 business 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.

If Arwa Coffee Franchising LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (which are listed in Exhibit A).

The name, principal business address, and telephone number of each franchise seller offering the franchise is:

Check All that Applies	Name	Principal Business Address	Telephone Number
	Faris Almatrahi	616 Business Parkway, Richardson, TX 75081 1300 N Interstate 35, Suite 100, Carrollton, TX 75006	(214)784-2004
	Yazan Soofi	616 Business Parkway, Richardson, TX 75081 1300 N Interstate 35, Suite 100, Carrollton, TX 75006	(214)782-9749

Issuance Date: ~~March 18, 2024~~ April 25, 2025

I received a disclosure document dated ~~March 18, April 25, 2025~~ 2024, that included the following Exhibits:

- A. List of State Administrators and List of Agents for Service of Process
- B. State Addenda
- C. Franchise Agreement, Attachments, and State Specific Amendments
- D. Franchise Disclosure Questionnaire
- E. Sample Form of General Release
- F. Financial Statements
- G. Operations Manual Table of Contents
- H. List of Current and Former Franchisees, and Affiliate-Owned Units
- I. State Effective Dates
- J. Receipts

Signature: _____

Print Name: _____

Date Received: _____

Keep This Copy For Your Records

RECEIPT

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If Arwa Coffee Franchising 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, or sooner if required by your state applicable law. Applicable state laws in Michigan requires us to provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires us to provide the disclosure document at the earlier of the first personal meeting or 10 business 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.

If Arwa Coffee Franchising LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (which are listed in Exhibit A).

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- H. List of Current and Former Franchisees, and Affiliate-Owned Units
- I. State Effective Dates
- J. Receipts

Signature: _____

Print Name: _____

Date Received: _____

Please return the signed receipt by signing, dating, emailing or mailing to:
Arwa Coffee Franchising LLC; franchising@arwacoffee.com;
~~616 Business Parkway, Richardson, TX 75081~~ 1300 N Interstate 35, Suite 100, Carrollton, TX 75006