

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 ~~our Designated Supplier and~~ 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

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, 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 ~~50~~approximately 70% to 80% of your total purchases and leases to establish your business.

~~2. Gross Sales above are affected by several factors including local demographics, including daytime and residential population and income levels, site characteristics (i.e., visibility, traffic count, ease of ingress and egress, parking availability), seasonality (particularly in colder climate), local competition, brand, and product awareness in the geographic area in which the coffee shop is located, and your individual marketing efforts. Gross Sales also may be affected by other factors such as weather events and road construction affecting traffic patterns.~~

~~3.2.~~ 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.

~~4.3.~~ 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. ~~Your actual cost may vary as various states have different costs of living, economic conditions, and have set different minimum wage laws that will impact your Franchised Business.~~

~~5.4.~~ 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.

~~6.5.~~ As of the issuance date, the affiliate owned coffee shop was not operating for the full month of March 2024 and therefore, data from the month of March 2024 was excluded from Table 2 in this financial performance representation.

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

~~You should conduct an independent investigation of the costs and expenses you will incur in operating your Arwa Coffee Shop.~~ We recommend that you make your own independent investigation to determine whether or not the franchise may be profitable, and consult with an attorney and other advisors prior to executing the franchise agreement.

~~Your Coffee Shop will be directly affected by a number of factors, like the brand recognition of ARWA YEMINI COFFEE in the market, competition in the market, the quality of management and service at the Coffee Shop, and your pricing decisions. Other factors may also affect sales at your Coffee Shop. Therefore, you should use this data only as a reference to help you conduct your own analysis.~~

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.

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, Suite 1, Frisco, Texas 75034, the Federal Trade Commission, and the appropriate state regulatory agencies.

### 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.

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 ~~our~~ the following:

- i) Unaudited balance sheet as of July 31, 2024 and income statement from January 1, 2024 through July 31, 2024; and
- ii) 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 31<sup>st</sup>.

## **ITEM 22 CONTRACTS**

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

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