

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 arbitration and/or litigation only in Colorado. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Colorado than in your own state.
2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
3. **Inventory Control.** You must maintain at least \$7,500 of inventory of different coffees, even if you do not need that much. Your inability to make these purchases or to maintain inventory levels at all times may result in termination of your franchise and loss of your investment.
4. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
5. **Unopened Franchises.** The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.

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.

Mobile Unit, for opening marketing services and materials that we provide or that we arrange for through third parties. The opening marketing expense for a Fixed-Location Shop must be paid to us at least eight weeks before your ZIGGI'S Coffee Shop opens for business. The opening marketing expense for a Mobile Unit must be paid to us upon delivery of your Mobile Unit.

We do not offer financing for any portion of the initial fees or payments in this Item 5. Each of these initial fees and payments must be paid in full when you sign the applicable agreement, except as described above for the opening marketing expense. We fully earn the Initial Franchise Fee, the Launch Fee, the Mobile Unit Development Management Fee, Third Party Service Fees, and other payments when paid. They are not refundable under any circumstances.

Except as described in this Item 5, all franchisees currently pay the same applicable initial fees.

ITEM 6

OTHER FEES

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Royalty ¹	6% of your actual Gross Sales ²	Payable weekly on Monday based on the prior week's Gross Sales	
Marketing and Technology Fee ¹	Currently 1% of your actual Gross Sales ² , <u>which may be increased up to a maximum of 2% of your Gross Sales</u>	Payable weekly with the Royalty based on the prior week's Gross Sales	We may reallocate all or a portion of this fee to a Regional Advertising Program if one is established in your region. We reserve the right to increase the required contribution up to a maximum of 2% of your Gross Sales.
Loyalty & Gift Program Fee ^{1,3}	Currently \$200 to \$225/month, depending on factors including the number of total participating outlets at the time, numbers of e-mails sent, and other factors established by the third party supplier	Monthly, within seven days of invoice	This fee is paid for the services of the third party operating the loyalty and gift program platform for the Ziggi's system, commencing four weeks before you open. This fee is subject to change as described in Note 3 below.
Third Party & Online Ordering Fee ^{1,3}	Currently \$74.99 per month plus \$0.10 per transaction	Monthly, within seven days of invoice	This fee is paid for the third party online ordering services and third party platform integration, commencing four weeks before you open. The per-transaction fee applies to orders processed through third party channels. All elements of this fee are subject to change as described in Note 3 below.

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Learning Management System (LMS) License Fee ¹	Currently \$110 per month for a shop's first year of operations and \$100 per month thereafter; can increase on 30 days' notice <u>based on an increase in the underlying costs charged to us by the third party vendor</u>	Monthly	Payable for the Learning Management System that we require. This fee is paid to us. This fee may be changed by us upon 30 days' notice to you, in the event of an increase in the fee charged by our third party vendor for the system. Also, we may change the required system, in which case this fee may change. We may require you to pay this fee directly to the supplier in the future.
Mystery Shopper Program Fee ¹	Currently \$39 to \$44 per visit, depending on location and amount of travel required, <u>but may be increased upon notice to you up to \$50 per visit</u>	Following each mystery shopper visit conducted in accordance with our mystery shopper program, which will typically be weekly during your first 90 days of operation and at least once per month thereafter	We have established a mystery shopper program to evaluate operations of your ZIGGI'S Coffee Shop, which will occur at least once per month, and you must pay us this fee for each such visit. We have the right to review the results of the evaluation. You must participate in the program and, if you fail to meet a minimum score that we periodically specify in the Operations Manual, we will conduct additional visits for which this fee will continue to apply. We may increase this cost upon notice to you up to \$50 per visit in the event of an increase in our vendor's fees or our own costs. We collect this fee from you. Specific terms for the program will be set forth in the Operations Manual.
Additional Meeting Fee ^{1,4}	Will vary, but not to exceed \$750 per attendee per meeting	As incurred	If we request, you must attend up to two Additional Meetings each year. We may prorate the costs of these meetings among all attendees, and charge you 125% of those costs if you do not attend. See Item 11.
Costs of Inspection and Audit ¹	Cost of audit, underpayment amount, late payment charges and interest. Varies according to your location If you commit an Act of Deception ⁶ , \$25,000	Immediately on receipt of our notice to you of any underpayment Payable in advance	These costs are payable only if you understate your Gross Sales by more than 2%, do not submit reports to us or do not cooperate in performance of inspection and audit. If you commit an Act of Deception, you must pay us \$25,000 immediately upon notice from us to cover the cost of the audit.

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Renovation Costs ⁵	Will vary depending on the extent of your renovation	As incurred	You will need to renovate, refurbish, remodel or replace the real and personal property and equipment used in the operation of your the Coffee Shop in order to comply with the image, standards of operation and performance capability established by us.
Noncompliance Service Charge ¹	\$500 per event of noncompliance	As incurred	We have the right to impose this charge, in addition to our other rights and remedies, if you are not in compliance with your Franchise Agreement or our standards and specifications.
Unapproved Products ¹	Gross Sales resulting from sale of unapproved products	As incurred	Payable only if you sell products we have not pre-approved.
Interest and Late Payment Charges ¹	Lesser of 1½% per month or highest rate of interest allowed by law, plus a \$50 late filing charge	Upon demand	Begins to accrue the day after payments are due for Royalties, product purchases, Marketing and Technology Fees, Third Party Service Fees, or any other amounts payable to us or our affiliates.
Insufficient Funds Fee ¹	\$50 per violation	As incurred	Payable any time you bounce a check to us or your bank account does not have sufficient funds to cover any direct debits that we submit to your bank.
Additional Training, Assistance & Refresher Training ^{1,4}	Then current published rate (currently \$500 for classroom training and \$1,000 for on-the-job training, not including travel and lodging expenses), <u>not to increase more than 5% per year from the date of the last increase of this fee for the franchise system</u>	As incurred	We provide an initial training program for up to three persons at no charge.
Taxes ¹	Will vary under circumstances	As incurred	You must reimburse us for any sales, use, personal property or similar taxes required to be collected based on any services or goods we provide or fees or other amounts due to us. We can electronic withdraw this cost from your accounts if you do not pay us within 30 days of being invoiced.

Provision	Section in Franchise or Other Agreement	Summary
j. Assignment of contract by us	Section 17.7 of FA; Section 5.1 of DA	No restriction on our right to assign.
k. "Transfer" by you – defined	Section 17.1 of FA; Section 5.2 of DA	Includes transfer of any interest in the Franchise Agreement, Coffee Shop assets, or your entity.
l. Our approval of transfer by you	Section 17.3 of FA	No transfer without our approval.
m. Conditions for our approval of transfer	Section 17.2 of FA; Section XI of MUR; Sections 5.2 and 5.3 of DA	For the Franchise Agreement: Full compliance, transferee qualifies, all amounts due are paid in full, all reports submitted, you have not breached any obligation during 60 day period before you requested our consent to transfer or during period between your request and the effective date of the transfer, transferee signs our then current form of franchise agreement (which may differ materially), transferee and its owners and affiliates do not operate or have ownership interest in competitive business, lease or Commissary agreement transferred, subordination of amounts due to you and your owners from transferee, training fee paid and training completed, transfer fee paid, and sign and deliver other required documents (including release (subject to state law)). For the Development Agreement: The following conditions will apply in addition to those listed above: Transfer fee for each undeveloped Coffee Shop paid.
n. Our right of first refusal to acquire your business	Section 17.4 of FA; Section 5.4 of DA	For 30 day period, we have right to match offer.
o. Our option to purchase your business	Section 19.8 of FA; Section XIV of MUR	Upon expiration or termination of franchise agreement, we may purchase your Coffee Shop for fair market value, less the amount of the goodwill associated with our Marks. Our option extends to all of your interest of any kind in the real estate and all buildings and improvements related to your Shop Location or in your Mobile Unit, as applicable
p. Your death or disability	Section 17.6 of FA	Franchise must be assigned to approved buyer within 120 days (or longer if required by probate proceedings); there must at all times be a General Manager at the Coffee Shop.
q. Non-competition covenants during the term of the franchise	Section 21.1 of FA; Section 6.1 of DA	No involvement in Competitive Business wherever located or operating (subject to state law).
r. Non-competition covenants after the franchise is terminated or expires	Section 21.2 of FA; Section 6.1 of DA	No interest in Competitive Business for 2 years (i) within 10 miles of the former Shop Location or any other ZIGGI'S Coffee Shop or (ii) at the same Events that you served through your former Mobile Unit (if applicable) or at any other Events served by any franchised or company-owned Mobile Units. (Subject to applicable state law.)

**ATTACHMENT A
(TO DISCLOSURE DOCUMENT)**

**ZIGGI'S COFFEE FRANCHISE, LLC
FRANCHISE AGREEMENT**

Franchisee: _____

Date: _____

Shop Location: _____

Mobile Unit

**EXHIBIT VII
TO FRANCHISE AGREEMENT**

RIDERS TO FRANCHISE AGREEMENT FOR SPECIFIC STATES

If any one of the following Riders to the Franchise Agreement for Specific States (“Riders”) is checked as an “Applicable Rider” below, then that Rider shall be incorporated into the Franchise Agreement entered into by Ziggi’s Coffee Franchise, LLC and the undersigned Franchisee. To the extent any terms of an Applicable Rider conflict with the terms of the Franchise Agreement, the terms of the Applicable Rider shall supersede the terms of the Franchise Agreement.

Applicable Rider:

UNITED STATES

- California
- Illinois
- Indiana
- Maryland
- Minnesota
- New York
- North Dakota
- Rhode Island
- South Dakota
- Virginia
- Washington
- Wisconsin

ZIGGI’S COFFEE FRANCHISE, LLC

FRANCHISEE (Print Name)

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

CALIFORNIA RIDER TO THE FRANCHISE AGREEMENT

1. The following is added at the end of **Article 4**:

ZCF has posted a surety bond with the California Department of Financial Protection and Innovation to assure the performance of its initial obligations to Franchisee.

2. **Section 22.5** is deleted and replaced with the following language:

The United States Federal Arbitration Act shall govern all questions about the enforceability of **Sections 22.1** and **22.2** and the confirmation of any arbitration awards pursuant to such procedures, and no arbitration issues are to be resolved pursuant to any other statutes, regulations or common law. Otherwise, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other United States federal law, this Agreement shall be interpreted under the laws of the State of Colorado U.S.A. and any dispute between the parties shall be governed by and determined in accordance with the internal substantive laws, and not the laws of conflict, of the State of Colorado U.S.A., which laws shall prevail in the event of any conflict of law. Notwithstanding the foregoing, the parties agree that the Colorado Consumer Protection Act (COLO. REV. STAT. ANN. Sections 6-1-101, et seq.) shall not apply to this Agreement or any disputes between the parties. Franchisee and ZCF have negotiated regarding a forum in which to resolve any disputes that arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding not subject to mandatory arbitration, as specified in **Sections 22.1** and **22.4**, involving Franchisee, and/or the Franchisee Affiliates, on the one side, and ZCF and/or the ZCF Affiliates, on the other side, both parties consent to jurisdiction and venue in the state and federal courts of Colorado U.S.A., and each waive any objection either may have to the personal jurisdiction of or venue in the state and federal courts of Colorado U.S.A. Notwithstanding the foregoing, any legal proceeding by ZCF or any ZCF Affiliate not subject to mandatory arbitration may be brought in any court of competent jurisdiction in the country, state, province, or other geographic area in which the ZIGGI'S Coffee Shop is located or in which Franchisee or any Franchisee Affiliate resides or owns assets. **IF A CLAIM MAY BE BROUGHT IN COURT, THEN ZCF, THE ZCF AFFILIATES, FRANCHISEE AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

3. 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.

4. [Section 24.19](#) (“Acknowledgment”) is deleted in its entirety.

ILLINOIS RIDER TO THE FRANCHISE AGREEMENT

1. The following language is added at the end of **Article 4**:

ZCF has posted a surety bond with the Illinois Attorney General's Office to assure the performance of its initial obligations to Franchisee. The Illinois Attorney General's Office imposed this surety bond requirement due to ZCF's financial condition.

Franchise Practices Act shall be governed thereby, and all other matters regarding this Agreement shall be interpreted under the laws of the State of Colorado U.S.A. and any dispute between the parties shall be governed by and determined in accordance with the internal substantive laws, and not the laws of conflict, of the State of Colorado U.S.A., which laws shall prevail in the event of any conflict of law. Notwithstanding the foregoing, the parties agree that the Colorado Consumer Protection Act (COLO. REV. STAT. ANN. Sections 6-1-101, et seq.) shall not apply to this Agreement or any disputes between the parties. Subject to the foregoing, Franchisee and ZCF have negotiated regarding a forum in which to resolve any disputes that arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding not subject to mandatory arbitration, as specified in **Sections 22.1** and **22.4**~~above~~^{4 above}, involving Franchisee and/or the Franchisee Affiliates, on the one side, and ZCF and/or the ZCF Affiliates, on the other side, both parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Colorado U.S.A., and each waive any objection either may have to the personal jurisdiction of or venue in the state and federal courts of Colorado U.S.A. Notwithstanding the foregoing, any legal proceeding by ZCF or any ZCF Affiliate not subject to mandatory arbitration may be brought in any court of competent jurisdiction in the country, state, province, or other geographic area in which the ZIGGI'S Coffee Shop is located or in which Franchisee or any Franchisee Affiliate resides or owns assets. **IF A CLAIM MAY BE BROUGHT IN COURT, THEN ZCF, THE ZCF AFFILIATES, FRANCHISEE AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

5. **Section 22.8** is deleted and replaced with the following language:

Notwithstanding anything contained in this Agreement to the contrary, any and all claims and actions arising out of or relating to this Agreement, the relationship between Franchisee and ZCF, or Franchisee's operation of the ZIGGI'S Coffee Shop must be commenced within the time period specified in Indiana law.

6. The following sentence is added at the end of **Section 24.2**:

Notwithstanding anything to the contrary in this provision, Franchisee does not waive any right under the Indiana statutes with regard to prior representations made by ZCF.

MARYLAND RIDER TO THE FRANCHISE AGREEMENT

1. The following is added at the end of **Article 4**:

ZCF has posted a surety bond with the Maryland Securities Division to assure the performance of our initial obligations to Franchisee.

2. The following language is added at the end of **Sections 17.2.j** and **18.4.d**:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. The following language is added at the end of **Article 22**:

This Agreement provides for disputes to be resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive

its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

4. **Section 22.8** is amended by adding the following thereto:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

5. The following sentence is added to the end of **Sections 24.2**:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

~~66. **Section 24.7** (“Review of Agreement”) is deleted in its entirety.~~

~~7. **Section 24.19** (“Acknowledgment”) is deleted in its entirety.~~

~~78. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

MINNESOTA RIDER TO THE FRANCHISE AGREEMENT

1. The following is added at the end of **Article 4**:

ZCF has posted a surety bond with the Minnesota Department of Commerce to assure the performance of its initial obligations to Franchisee.

2. The first sentence in **Section 5.4.d** is hereby deleted and replaced with the following language:

In the event that Franchisee fails to pay any Royalties, Marketing and Technology Fees, Third Party Service Fees, or other amounts due under this Agreement as of the date due (including by failing to have sufficient funds in its account if ZCF requires ACH Payment), Franchisee shall owe, in addition to such fees, an insufficient funds fee of \$30.00 for each violation.

3. **Section 15.3** is modified by the following language:

ZCF agrees to protect Franchisee against claims of infringement or unfair competition with respect to Franchisee’s authorized use of the Marks when the Franchisee’s rights granted therein warrant protection.

of the Agreement, including all choice of law provisions, are fully enforceable. ZCF and Franchisee intend to fully enforce all of the provisions of the Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

SOUTH DAKOTA RIDER TO THE FRANCHISE AGREEMENT

1. The following is added at the end of **Article 4**:

ZCF has posted a surety bond with the South Dakota Division of Insurance to assure the performance of its initial obligations to Franchisee.

VIRGINIA RIDER TO THE FRANCHISE AGREEMENT

1. The following language is added at the end of **Article 4**:

All initial fees and other initial payments owed to ZCF shall be deferred until ZCF has fulfilled all of its pre-opening obligations to Franchisee under this Agreement.

2. The following is added at the end of **Section 24.14**:

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

3. 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.

4. Under subsection D of § 13.1-559 of the Virginia Retail Franchising Act, for all franchises located in Virginia, the franchise contract or agreement offered or entered into pursuant to terms of this chapter shall be governed by the laws of the Commonwealth of Virginia.

5. Under subdivision A 4 of § 13.1-563 of the Virginia Retail Franchising Act (“Act”), it is unlawful to offer or enter into a franchise agreement that restricts the right of a franchisee to engage in the business of offering, selling, or distributing goods or services at retail after termination or expiration of the franchise agreement. However, subsection B of § 13.1-563 of the Act provides that if a franchisee sells a franchise at a mutually agreed upon price to a third party or back to the franchisor, such sale may include a term restricting the right of such franchisee to engage in the business of offering, selling, or distributing goods or services at retail for a period of no more than two years after such sale.

**ATTACHMENT M
(TO DISCLOSURE DOCUMENT)**

STATE SPECIFIC ADDENDA

SOUTH DAKOTA

1. The following statement is added at the end of Item 5:

We have posted a surety bond with the South Dakota Division of Insurance to assure the performance of our initial obligations to franchisees in South Dakota.

VIRGINIA

1. The following statement is added at the end of Item 5:

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. The following statement is added at the end of Row h in Item 17:

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

3. 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.

4. Under subsection D of § 13.1-559 of the Virginia Retail Franchising Act, for all franchises located in Virginia, the franchise contract or agreement offered or entered into pursuant to terms of this chapter shall be governed by the laws of the Commonwealth of Virginia.

5. Under subdivision A 4 of § 13.1-563 of the Virginia Retail Franchising Act ("Act"), it is unlawful to offer or enter into a franchise agreement that restricts the right of a franchisee to engage in the business of offering, selling, or distributing goods or services at retail after termination or expiration of the franchise agreement. However, subsection B of § 13.1-563 of the Act provides that if a franchisee sells a franchise at a mutually agreed upon price to a third party or back to the franchisor, such sale may include a term restricting the right of such franchisee to engage in the business of offering, selling, or distributing goods or services at retail for a period of no more than two years after such sale.

WISCONSIN

REGISTRATION OF THIS FRANCHISE IN THE STATE OF WISCONSIN DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

The conditions under which the Franchise Agreement can be terminated or not renewed may be affected by the Wisconsin Fair Dealership Law, Wisconsin Statutes 1981-82, Title XIV-A, Chapter 135.