

FRANCHISE DISCLOSURE DOCUMENT

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

a corporation organized under Irish law

550 S. Hope St, Suite 2100

Los Angeles, CA 90071

(310) 237-2326

www.coffeebean.com



This franchise is for “Traditional” or “Special Distribution” *The Coffee Bean & Tea Leaf*® Cafés or Kiosks featuring premium coffee beverages, espresso drinks, premium teas, roasted coffee beans and blends, prepackaged coffees, prepackaged teas, baked goods, snacks and other food items and products, which may include but are not limited to coffee making equipment, cups, hats, t-shirts, miscellaneous branded items and other novelty items. Traditional Cafés and Kiosk are *The Coffee Bean & Tea Leaf*® Café operated at venues other than “Special Distribution Sites. Special Distribution Cafés or Kiosks are Cafés located at “Special Distribution Sites” or institutional settings, such as hotels, airports, colleges, universities, schools, grocery Cafés, supermarkets, hospitals, military or other governmental facilities, office or in-plant food service facilities, department Cafés, duty free shops, shopping mall food courts operated by a master concessionaire, or any other venue in which food service is or may be provided by a master concessionaire or contract food service provider.

The total investment necessary to begin operation of a single Traditional “The Coffee Bean & Tea Leaf” Café ranges from \$883,500 to \$1,468,000 (including \$92,500 to \$142,000 which must be paid to the franchisor or its affiliates) for a full-service Café and \$554,000 to \$945,000 (including \$82,500 to \$90,000 which must be paid to the franchisor or its affiliates) for a Traditional Kiosk.

The total investment necessary to begin operation of a single “The Coffee Bean & Tea Leaf” Special Distribution Café ranges from \$629,500 to \$1,027,000 (including \$98,000 to \$127,000 which must be paid to the franchisor or its affiliate) for a full-service Special Distribution Café and \$531,550 to \$968,000 (including \$82,500 to \$90,000 which must be paid to the franchisor or its affiliate) for a Special Distribution Kiosk.

The total investment for an Area Development Agreement (for a minimum of 5 Cafés) is \$142,500 to ~~\$525,000~~ \$212,500 (including \$62,500 which must be paid to the franchisor or its affiliates), in addition to the costs stated above for constructing an individual Café or kiosk.

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 governmental agency has verified the information contained in this document.**

The terms of your contract will govern your franchise relationship. Don’t rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like an attorney 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

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 California. 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 California than in your own state.
2. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
3. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
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.

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.

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
			charge for mandatory training courses. <u>We may increase the daily training fee from time to time to an amount not to exceed the equivalent of 10% per year (cumulative) during the term of your franchise agreement.</u>
Initial On-site Assistance	Then-current reasonable training fee (currently \$150-\$450 per day) plus our out-of-pocket expenses (including travel, meals and lodging, but excluding salary) (currently, up to \$20,000).	On demand	Expense reimbursement applies, but no training fee for us to send 1 to 3 members of the training or operations staff to your Development Area for 15 days on or around the opening of your 1st Café (or 1 to 2 staff members for 10 days before the opening of your 2 nd and 3 rd Cafés). Training fees apply to the 4 th and subsequent Cafés. <u>We may increase the daily training fee from time to time to an amount not to exceed the equivalent of 10% per year (cumulative) during the term of your franchise agreement.</u>
Operational Visit Fee ²	Our out-of-pocket expenses (including travel, meals and lodging, but excluding salary) to send 1 staff member to inspect your performance under the Agreement (currently, not to exceed \$2,000 per Café visit).	On demand	May occur up to four times during each year of the Initial Term of the Area Development Agreement.
Ongoing Advice	Our out-of-pocket expenses (including travel, meals and lodging, but excluding salary) to send 1 staff member to your Development Area	On demand	Each calendar year during the Initial Term of your Area Development Agreement, we will send 1 training staff member to your Development Area for up to 14 consecutive days to provide ongoing advice and assistance.

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
System Fee ²	month	same as Royalty Fee	<p>subscription or participation fees for the POS System, database management, and related payment platforms and support.</p> <p>When and if implemented by us upon at least 30 days' written notice to you, this fee must then be paid concurrently with Royalty Fee Payments.</p>
Customer Facing Technology Fee ^{2/3}	\$200 - \$750 per month	Same as Royalty Fee	<p>Fee for the loyalty application, online ordering platform, payment gateway and other customer facing technology, including capital recoupment for the continued development of the technology.</p> <p>Paid concurrently with Royalty Fee Payments.</p>
Food Safety and Operations Audit Fee	Then-current reasonable per audit fee, not to be charged more often than quarterly (currently \$400 per audit)	On Demand	<p>Fee for quarterly food safety, cleanliness and general operations audit performed by Company or Company's third-party designee. Currently, the audit program is conducted utilizing third-party Steritech's audit program</p> <p><u>We may increase the audit fee from time to time to an amount not to exceed the equivalent of 10% per year (cumulative) during the term of your franchise agreement.</u></p>

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Customer Experience Measurement Program Fee	Then-current annual fee (currently \$600 annually)	On demand	<p>Fee for our customer and guest experience management software service platform.</p> <p><u>We may increase this annual fee from time to time to an amount not to exceed the equivalent of 10% per year (cumulative) during the term of your franchise agreement.</u></p>
Initial On-Site Assistance	Then-current reasonable training fee (currently \$150-\$450 per day) plus our out-of-pocket expenses including travel, meals and lodging, but excluding salary (currently, up to \$2000).	On demand	<p>Expense reimbursement applies, but no training fee for us to send 1-3 training staff members to your Development Area for up to 15 days on or before the opening of your 1st Café (or 1-2 training staff members for up to 10 days before the opening of your 2nd and 3rd Cafés). Training fees apply to the 4th and subsequent Cafés.</p> <p><u>We may increase the daily training fee from time to time to an amount not to exceed the equivalent of 10% per year (cumulative) during the term of your franchise agreement.</u></p>
Additional On-Site Assistance	Our out-of-pocket expenses (including travel, meals and lodging) to send 1 or more staff members to the Development Area. You must also reimburse us for our direct and indirect salary and related payroll costs for our	On demand	If you request, we may send one or more representatives to your Development Area to assist you.

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
	representatives.		
Optional Training Courses ²	Our then-current reasonable training fee (currently \$150-\$450 per day) plus our out-of-pocket expenses including travel, meals and lodging, but excluding salary (currently, up to \$2000).	On demand	<p>You must pay our then-current fee (currently \$150 - \$450 per day) if you elect to attend optional training courses which we may provide in our discretion. We do not charge for mandatory training courses, however you must bear all transportation costs in addition to your training-related travel and living expenses while attending.</p> <p><u>We may increase the daily training fee from time to time to an amount not to exceed the equivalent of 10% per year (cumulative) during the term of your franchise agreement.</u></p>
Manual Replacement Charge	You must pay our then-current charge for replacement of the Manuals if you require a hardcopy replacement, which is currently \$500	On demand	<p>Only payable if your hardcopy of the Manuals is lost, destroyed or significantly damaged and you require a hardcopy replacement.</p> <p><u>We may increase the Manual Replacement Charge from time to time to an amount not to exceed the equivalent of 10% per year (cumulative) during the term of your franchise agreement.</u></p>
Transfer Fee	\$5,000	Upon Transfer	Due upon transfer.
Audit ²	Cost of audit plus attorneys and accountants fees and	On demand	You pay only if the audit shows an understatement of at

provide the necessary capital and resources needed for you to develop, construct, and thereafter operate any Café or Cafés for any particular period of time and such amounts are not included in the chart set forth above.

We have prepared these estimates based on our and our affiliates' and predecessors' experience, which is primarily in the establishment and operation of full size Cafés. Because the exact amount of reserves will vary from operation to operation and cannot be meaningfully estimated by us, we urge you to retain the services of an experienced accountant or financial advisor to develop a business plan and financial projections for your particular operation. If you sign a Franchise Agreement in connection with the transfer or renewal of an existing franchise, many items of this table are not applicable to you because your Café is currently open and operating, but under our franchise agreement we may require you to remodel, renovate, modernize or refurbish it to our then-current standards.

Area Development Agreement

In addition to your costs for opening individual Cafés under a Franchise Agreement (see charts below and Items 5 and 6 above), you will incur the following initial expenditures if you sign an Area Development Agreement for the development of multiple Traditional Café (except as otherwise agreed by you and us).

The following chart described the estimated initial investment in you sign an Area Development Agreement to open 5 Traditional “The Coffee Bean & Tea Leaf” Cafés. If you sign an Area Development Agreement to open more than 5 Cafés, your costs will vary.

COLUMN 1 TYPE OF EXPENDITURE	COLUMN 2 AMOUNT		COLUMN 3 METHOD OF PAYMENT	COLUMN 4 WHEN DUE	COLUMN 5 TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Initial Development Fee ¹	\$62,500	\$375,000 2,500	Lump Sum	When you sign your Agreement	SMCC or its designee
Professional Fees ²	\$10,000	\$25,000	As Arranged	As Incurred	Attorneys, accountants or other consultants
Local Advertising and Promotion ³	\$10,000	\$50,000	As Arranged	As Incurred	Vendors
Additional Funds – three month period ⁴	\$60,000	\$75,000	As Incurred	As Incurred	Suppliers, Utilities, and Employees' Salaries
TOTAL	\$142,500	\$525,500 12,500			

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
		our designee) can also purchase your Café upon termination of your agreement, except upon our default.
p. Your death or disability	Section 11.3(b)	Your representative must notify us of any death or disability within 30 days of its occurrence and of its desire to continue the Agreement, and satisfies our reasonable requirements of a transferee, or transfers the agreement to a transferee acceptable to us, subject to “m” above. If your interest is not transferred within 90 days (180 days in the state of Washington) following your (or a major member, partner or shareholder’s) death or legal incapacity, your Franchise Agreement will be automatically terminated.
q. Non-competition covenants during the term of the franchise	Section 9.1	<p>Unless we agree otherwise in writing, neither you, your General Managers, owners and their affiliates, officers and directors if you are an entity, and your parents, spouses, natural and adopted children (“Restricted Persons”) may not have any involvement in any Competitive Business. “Competitive Business” means any business operating or granting franchises or licenses to others to operate a business offering at wholesale or retail, or engaged in the production of, (conjunctively or disjunctively) specialty coffees, espresso coffees, roasted coffee beans and blends, premium teas, baked goods, snacks and other food items and ancillary products, coffee making equipment, including single-serve coffee machines and related single-serve coffee, espresso, and/or powder capsules, cups, hats, t-shirts and novelty items, and other specialty ingredients or offering any other goods or services similar to any other Coffee Bean Product. A Restricted Person may own up to 10% of the stock of any company traded on a national securities exchanged, provided that the Restricted Person is not a controlling person, or a member of a group which controls the company, subject to applicable state law.</p> <p>You must not induce, contract or solicit to employ in any manner any person currently employed, or employed during the prior year, by us, our affiliates or franchisees.</p>
r. Non-competition covenants after the	Section 9.1	Unless we agree otherwise in writing, no Restricted Person may have any involvement in

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
franchise is terminated or expires		<p>any Competitive Business for 24 months within your Designated Territory or within 10 miles of your Café or any Café then existing. A Restricted Person may own up to 10% of the stock of any company traded on a national securities exchanged, provided that the Restricted Person is not a controlling person, or a member of a group which controls the company.</p> <p>You must not induce, contract or solicit to employ in any manner any person currently employed, or employed during the prior year, by us, our affiliates or franchisees for 2 years following the termination of the agreement, subject to applicable state law.</p>
s. Modification of the agreement	Sections 4.2, 6.1 and 15.4	The Manuals are subject to change. Modifications become effective upon delivery of written notice to you, unless the notice specifies a longer period. Amendments to the Franchise Agreement must be in writing and signed by both parties.
t. Integration/merger clause	Section 15.24	All agreements between the parties are in the Franchise Agreement and its exhibits. Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Sections 15.9 and 15.13	Except for certain claims, all disputes must be mediated in Los Angeles, California. If not resolved by mediation, the disputes must be resolved by arbitration, subject to state law.
v. Choice of forum	Sections 15.9 and 15.13	<p>Subject to state law, except for certain claims, all disputes must be mediated in Los Angeles, California. If not resolved by mediation, the disputes must be arbitrated in Los Angeles, California, subject to state law. Unless prohibited by local law, litigation must be in Los Angeles, California. Both you and us waive the right to a trial by jury.</p> <p>Except for the indemnification requirements in Section 13.4 of the Franchise Agreement, in the event of a dispute, both you and us waive punitive damages to the maximum extent permitted by applicable law.</p>

**ADDENDUM TO SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED
DISCLOSURE DOCUMENT FOR THE STATE OF MINNESOTA**

The following information applies to franchises and franchisees subject to Minnesota statutes and regulations.

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Item 13, “Trademarks,” shall be amended by the addition of the following:

We will indemnify you for all costs and expenses you incur in any action or proceeding brought against you by any third party as a result of your authorized use of our trademarks.

Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” shall be amended by the addition of the following paragraphs:

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.