

FRANCHISE DISCLOSURE DOCUMENT

Aroma Franchise Company, Inc.

a New York Corporation
20920 W Dixie Hwy
Aventura, FL 33180
305-705-2931

aroma.us

aromacafe.us

aroma-cafe.us

facebook.com/Aroma Espresso Bar

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The franchise is for an espresso bar that offers coffee, coffee- and espresso-based beverages, other non-alcoholic and alcoholic beverages, and a variety of food items (“Aroma Espresso Bar” or “Espresso Bar”).

The total investment necessary to begin operation of an Aroma Espresso Bar ranges from \$537,500 to \$1,500,000. These totals include approximately \$65,000 to \$70,000 that must be paid to us or our affiliates. If you sign a Development Agreement, you must pay us a non-refundable development fee equal to thirty percent (30%) of the initial franchise fee (currently, \$55,000) for each Aroma Espresso Bar (minimum of 1) to be established under the Development Agreement. When you sign each Franchise Agreement, the allocable portion of the development fee is credited against the initial franchise fee that is due.

This disclosure document summarizes certain provisions of your Franchise Agreement and Development 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 franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Oshrat (Oshi) Katri Dulberg at 20920 W Dixie Hwy, Aventura, FL 33180 or (305) 705-2931.

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 a lawyer or 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, DC 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 on franchising in your state. Ask your state agencies about them.

Date of Issuance: May 4, 2023

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 outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits C and D.
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 A 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 outlets.
Will my business be the only Aroma Espresso Bar 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 Aroma Espresso Bar franchisee?	Item 20 or Exhibits C and D list 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 you are losing money.

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

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

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

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

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Attachment 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 and development agreements require you to resolve disputes with us by mediation only at the offices of the American Arbitration association nearest to New York City, New York and sue us only in New York City, New York. Out of state mediation and litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate and litigate with us in New York City, New York than in your home state.
2. **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.
3. **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."

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.

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- Exhibit B-1 - Franchise Agreement, including attachments and State-Specific Amendments
- Exhibit B-2 - Development Agreement, including attachments and State-Specific Amendments
- Exhibit C - List of Franchised Outlets
- Exhibit D - List of Franchisees Who Have Left the System
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- Exhibit F - Form of Sublease
- Exhibit G - State Specific Addenda to Franchise Disclosure Document
- Exhibit H - Form of General Release

Attachments

- Attachment A - List of State Administrators
- Attachment B - Agents for Service of Process
- Attachment C - State Effective Dates

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

The Franchisor, and any Parents, Predecessors, and Affiliates

The franchisor is Aroma Franchise Company, Inc., referred to in this disclosure document as “we,” “us,” or “our”. We refer to the person interested in buying the franchise as “you” or “your”. If you are a corporation, partnership, limited liability company, or other entity, certain provisions of the Franchise and Development Agreements will apply to your owners. These will be addressed in this disclosure document where appropriate.

We were incorporated in New York on January 5, 2010. Our principal business address is 20920 W Dixie Hwy, Aventura, FL 33180. We are a wholly-owned subsidiary of our direct parent Aroma USA, Inc., a Delaware corporation formed on July 27, 2005 (“Aroma USA”). Aroma USA shares our principal business address. From March 2, 2007 until January 1, 2010, Aroma USA offered the franchises that are offered by this disclosure document. Aroma USA has never offered franchises in any other line of business and is not engaged in any other business activity.

Aroma USA’s direct parent company is Shefa Zichyonot (Franchises), Ltd (“Parent”), an Israeli limited company formed on January 1, 2003. Our Parent is a wholly-owned subsidiary of Aroma Espresso Bar Ltd. (“Aroma Israel”), an Israeli limited company formed on April 2, 1995. Our Parent (or its predecessor) has operated Aroma Espresso Bars in Israel since May 1994 and has directly or indirectly offered franchises for Aroma Espresso Bars in Israel since July 7, 2000. Our Parent and Aroma Israel share the same principal business address at Hasolela 7, Beit-Shemesh, Israel. Neither our Parent nor Aroma Israel maintains a business address in the United States. Our Parent and Aroma Israel have never offered franchises in any other line of business and are not engaged in any other business activity.

Our wholly-owned affiliate, Aroma Global Ltd. (“Aroma Global”), a New Brunswick, Canada corporation incorporated on April 16, 2019, has offered franchises for Aroma Espresso Bars in Canada since May 2019. Prior to then, on or about March 22, 2007, Aroma USA entered into a master franchise agreement (the “MFA”) with Aroma Espresso Bar Canada Inc. (“Aroma Canada”) granting Aroma Canada the exclusive right to sublicense the Aroma system and the marks in Canada. On January 1, 2010, Aroma USA assigned to us all of its rights, and we assumed all of Aroma USA’s obligations, under the intercompany license. Effective May 17, 2019, we terminated Aroma Canada’s rights under the MFA and succeeded to Aroma Canada’s interest under the existing subfranchise agreements between Aroma Canada and its Canadian franchisees (the “Existing Subfranchises”). We (as successor in interest to Aroma USA) entered into an Intellectual Property Sublicense Agreement with Aroma Global, granting Aroma Global the right to use and sublicense the use of the intellectual property associated with the Aroma system (including the marks) in connection with the establishment and operation of Aroma Espresso Bars in Canada. We also assigned to Aroma Global, and Aroma Global assumed, all rights and obligations of the franchisor under the Existing Subfranchises. All new Franchise Agreements in Canada entered into following May 17, 2019 will be entered into by Aroma Global.

We do business under our corporate name and the name “Aroma Espresso Bar”. Our agents for service of process in the states which require franchise registration are listed in Attachment B.

We sell franchises for espresso bars that offer coffee, coffee- and espresso-based beverages, other non-alcoholic and alcoholic beverages, and a variety of food items (“Espresso Bars” or “Aroma Espresso Bars”). We began to offer franchises as of March 16, 2010. We have never offered franchises in any other line of business and are not engaged in any business activity other than the offer of Aroma Espresso Bar franchises.

We do not operate any Aroma Espresso Bars, but 23LEX, LLC (“23LEX”), an indirect subsidiary of Aroma USA, operated an Aroma Espresso Bar in New York from July 2006 to July 2016. Cafe Miami

Gardens LLC and Cafe Collins 16, LLC have operated 2 Aroma Espresso Bar in Miami, Florida since June 2015, and Café Collins 5 LLC operated an Aroma Espresso Bar in Miami, Florida from June 2015 to April 2019. Cafe Collins 16 LLC, Cafe Collins 5, LLC, and Cafe Miami Gardens LLC are Delaware limited liability companies and are owned 50% by Aroma USA.

Our affiliate, Aroma NY, LLC (“Aroma NY”), serves as our area representative for the State of New York. As our New York area representative, Aroma NY provides certain services to our New York franchisees. Aroma NY is a Delaware limited liability company that was formed in July 2005 and that is headquartered at 20920 W Dixie Hwy, Aventura, FL 33180. Aroma NY has never offered franchises in any line of business and is not engaged in any other business activity.

Our affiliate, Aroma Trade Company, Inc. (“Aroma Trade Company”), sells Aroma coffee and baked goods to company-owned and franchised Aroma Espresso Bars. Aroma Trade Company is a New York corporation formed January 5, 2010. It shares our principal business address. Aroma Trade Company has never offered franchises in any line of business and is not engaged in any other business activity.

Another subsidiary of Aroma Israel, Karnaf Franchises Ltd. (“Karnaf”), has offered franchises in Israel since September 2007 for fast-food outlets primarily selling beef and chicken rolls, tortillas and related food and beverage items. As of the date of this disclosure document, there are 3 franchised Karnaf stores, all located in Israel. Aroma Israel acquired a partial interest in Karnaf in 2007 and the remaining interest in 2011.

Except as described above, we have no parents, predecessors or affiliates.

THE FRANCHISE

We sell franchises for the right to establish and operate Espresso Bars under the Aroma system (the “System”). The System includes distinctive exterior and interior design, decor, color scheme, and furnishings; special recipes and menu items; uniform 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; and advertising and promotional programs.

You must operate your Espresso Bar under the “Aroma Espresso Bar” mark and use other trade names, service marks, trademarks, logos, and symbols we designate (or may later designate) in writing for use in the System.

We offer qualified applicants a franchise agreement (the “Franchise Agreement”), which gives you the right to establish and operate 1 Aroma Espresso Bar at a specified location. Our current form of Franchise Agreement is attached to this disclosure document as Exhibit B-1.

We also offer highly-qualified, experienced restaurant operators a development agreement (the “Development Agreement”) to develop 1 or more Espresso Bars within a specifically described geographic area (the “Territory”). Our current form of Development Agreement is attached to this disclosure document as Exhibit B-2. If you sign a Development Agreement, you must establish a predetermined number of Espresso Bars in the Territory according to a preestablished development schedule and must enter into a separate Franchise Agreement for each Espresso Bar you establish. The Franchise Agreement for the first Espresso Bar will be in the form of Exhibit B-1 to this disclosure document. For each additional Espresso Bar, you must sign the form of Franchise Agreement that we are then offering to new franchisees, except that the initial franchise fee and royalty fee percentage will be the same as those in the Franchise Agreement at Exhibit B-1 to this disclosure document.

The terms of Franchise and Development Agreements we have previously offered may differ from the terms of the Franchise and Development Agreements offered by this disclosure document. In addition, we may negotiate various terms of our Development and Franchise Agreements, including fees, based on the number of Espresso Bars to be developed and other relevant factors.

We may enter into franchise agreements with our area representatives or their subsidiaries. If we do, the terms of those franchise agreements may differ from the form of Franchise Agreement which is the subject of this disclosure document.

COMPETITION

The coffee shop and foodservice businesses are highly competitive with constantly changing market conditions. Aroma Espresso Bars will compete against coffee shops, sit-down restaurants, fast food restaurants, casual restaurants and other beverage and foodservice establishments. Competitors may be locally-owned or large regional or national chains. The coffee shop and foodservice businesses are also affected by changes in consumer tastes, demographics, traffic patterns and economic conditions.

REGULATORY MATTERS

The foodservice industry is heavily regulated. Many of the laws, rules and regulations that apply to businesses generally, such as the Americans With Disabilities Act, Federal Wage and Hour Laws and the Occupational Safety and Health Act, also apply to restaurants. However, other laws, rules and regulations have particular applicability to restaurants.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce laws and regulations that govern food preparation and service and foodservice establishment sanitary conditions. State and local agencies inspect foodservice establishments to ensure that they comply with these laws and regulations. Some state and local authorities have adopted, or are considering adopting, laws or regulations that could affect: the content or make-up of food served in restaurants, such as the level of trans fat contained in a food item; general requirements or restrictions on advertising containing false or misleading claims, or health and nutrient claims on menus or otherwise, such as “low calorie” or “fat free”; the posting of calorie and other nutritional information on menus; and the use of polystyrene in packaging.

State alcoholic beverage regulatory authorities administer and enforce laws and regulations that govern the sale of alcoholic beverages.

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 emissions from commercial food preparation. Some areas have also adopted or are considering proposals that would regulate indoor air quality.

You should consider these laws and regulations when evaluating your purchase of a franchise.

2. BUSINESS EXPERIENCE

Yariv Shefa: Director and President

Yariv Shefa, founder of the Aroma Espresso Bar chain, has held the position of General Manager of our Parent, in Beit-Shemesh, Israel, since May 1994. Mr. Shefa has also served as the sole director and President of Aroma USA since 2005. Since May 2014, Mr. Shefa has served as our sole director and

President and as the sole director and President of Aroma Trade Company. Mr. Shefa has also served as the sole director for Aroma Global since April 2019. Also since May 2014, he has served as the sole manager and President of Aroma Holdings, LLC and 23LEX. Mr. Shefa is located in Beit-Shemesh, Israel.

Yoav Hecht: CEO and Secretary

Since May 2014, Yoav Hecht has served as our CEO and Secretary and as the CEO and Secretary of Aroma USA, Aroma Trade Company, Aroma Holdings, LLC and 23LEX. Mr. Hecht has served as the International Operations Officer of Aroma Espresso, Bar Ltd. in Ramat-Gan, Israel since February 2008.

Asher Lev: Vice President

Since May 2014, Asher Lev has served as our Vice President and as a Vice President of Aroma USA, Aroma Trade Company, Aroma Holdings, LLC and 23LEX. Mr. Lev served as our Director and CEO from our formation to July 2010 and as our President from July 2010 until May 2014. From January 2006 to April 2010, Mr. Lev served as the CEO of Aroma USA. From April 2010 to December 2013, Mr. Lev served as the CEO of Aroma Espresso Bar, Ltd. and our Parent in Ramat-Gan, Israel. Mr. Lev is based in Ramat-Gan, Israel.

Oshrat Katri Dulberg: Director of U.S. Operations of Aroma Trade Company

Since January 2015, Oshrat Katri has served as the Director of U.S. Operations and as the Regional Manager of our affiliate, Aroma Trade Company. Ms. Katri also holds various management positions with other of our affiliates: President (since June 2015) of Cafe Collins 16 LLC and Cafe Miami Gardens LLC, the companies in which Aroma USA owns a 50% interest that operate the 2 Aroma Espresso Bars in Miami, Florida. She also serves as a Director (since December 2015) of Aroma Canada, our unaffiliated Canadian master franchisee. Since March 2010, Ms. Katri has been an Aroma franchisee in Israel, operating as A.Z. Coffee Bar Ltd.

Tzahi Katri: U.S. Regional Director of Aroma Trade Company-COO of Aroma Franchise Company

Since January 2015, Tzahi Katri has served as the U.S. Regional Director of our affiliate, Aroma Trade Company, in Aventura, FL. Since March 2010, Mr. Katri has been an Aroma franchisee in Israel, operating as A.Z. Coffee Bar Ltd.

3. LITIGATION

Pending Litigation

Aroma Espresso Bar Canada Inc., Shalva Investments Limited, and 6605702 Canada Inc. v. Aroma Franchise Company, Inc., Shefa Franchises LTD., Aroma Espresso Bar LTD., Aroma USA, Inc., Yariv Shefa, and Oshrat Katri, Case No. ICA 19-105, ADR Institute of Canada, May 8, 2019. Aroma Espresso Bar Canada Inc. ("**Aroma Canada**") is the former master franchisee of Aroma Espresso Bars in Canada. It operated under a Master Franchise Agreement ("**MFA**") between Aroma Canada and Aroma Franchise Company, Inc. ("**Aroma Franchise**"). Shalva Investments Limited ("**Shalva**") is the majority shareholder of Aroma Canada and 6605702 Canada Inc. ("**660**") is a minority shareholder of Aroma Canada. On April 16, 2019, Aroma Franchise notified Aroma Canada that Aroma Canada was in breach of the MFA and that Aroma Franchise would terminate the MFA if Aroma Canada failed to cure the breaches within 30 days (the "**Termination Notice**"). Aroma Canada was given an opportunity to avoid termination of the MFA by curing their breaches within the 30-day notice period, but Aroma Canada failed to take any steps to do so. Rather on May 8, 2019, Aroma Canada, Shalva, and 660 (collectively, "**Claimants**") filed with the ADR Institute of Canada a Notice of Request to Arbitrate (the

"**Notice**") asserting certain claims against Aroma Franchise, Shefa Franchises Ltd. ("**Shefa**"), Aroma Espresso Bar Ltd. ("**AEB**"), Aroma USA, Inc. ("**Aroma USA**"), Yariv Shefa ("**Y. Shefa**"), and Oshrat Katri ("**Katri**") (collectively, "**Respondents**"). Claimants alleged that Aroma Franchise breached the MFA by requiring Aroma Canada and the Canadian franchisees to purchase coffee and pastries from an affiliate of Aroma Franchise and by not considering an alternate supplier. They further alleged that the actions of the Respondents were oppressive and unfairly prejudicial to Aroma Canada and that Aroma Franchise had breached its duty of fair dealing. Claimants sought, among other things: (a) a declaratory judgment requiring Respondents to purchase Shalva's and 660's shares of Aroma Canada or to wind up Aroma Canada, (b) damages in the amount of \$50,000,000 relating to Claimants' allegations of oppressive and unfairly prejudicial acts, (c) a declaratory judgment and injunction preventing Aroma Franchise from requiring Aroma Canada to purchase coffee and other products from a designated supplier, (d) an injunction preventing Aroma Franchise from terminating the MFA, (e) a declaratory judgment allowing Aroma Canada to continue to use the "Aroma Espresso Bar" name and other trademarks licensed to Aroma Canada in the MFA, and (f) damages in the amount of \$50,000,000 relating to Claimants' breach of contract and breach of duty of fair dealing claims. Claimants failed to pursue their request for an injunction against termination of the MFA and Aroma Canada failed to cure its breaches of the MFA within the cure period given in the Termination Notice. Aroma Franchise terminated the MFA effective May 17, 2019 and assumed Aroma Canada's obligations under the existing subfranchise agreements. Aroma Canada advised the Canadian franchisees that, effective June 12, 2019, it would cease operating and leave the franchise system in the hands of Aroma Franchise, having withdrawn from the provisions of the supply and support relationship with the Canadian franchisees and ceased operating as their franchisor. However, it has also denied the validity of the termination of the MFA and its breaches of the MFA. On June 10, 2019, Respondents filed their response to Claimants' Notice generally denying the allegations in the Notice and asserting counterclaims against the Claimants for (i) multiple breaches of the MFA including violations of the supply provisions and various of Aroma Canada's duties including its duty of confidentiality and duty to monitor compliance with the franchise system in Canada; (ii) breach of the duty of fair dealing; and (iii) oppression. Respondents seek injunctive relief to restrain Claimants from further use of the Respondents' intellectual property, including the Aroma Espresso Bar trademarks; from attempts to interfere with the Aroma Espresso Bar supply chain and franchisees; and from operating a competitive business within the territory covered by the MFA. Respondents also seek damages for (among other things) unpaid royalties, Claimants' engaging in conflicts of interest, misuse of funds, introducing unauthorized and inferior products into Aroma Espresso Bars operating in Canada, and harm to Respondents' intellectual property. The discovery process has been largely completed, and the exchange of witness statements and expert reports is ongoing. The matter was heard by an arbitrator and the hearing consisted of 19 days of evidence in July and August, 2021, followed by two days of oral argument in September, 2021. On January 11, 2022, the arbitrator released his award (the "**Award**"), which remains subject to an application to set the Award aside that the Respondents are bringing before the Ontario Superior Court of Justice. The Award declared the following relief: "a. A declaration that Aroma Franchise wrongfully terminated the MFA; b. That Aroma Franchise pay Aroma Canada the sum of \$10,000,000 as damages; c. That Aroma Franchise pay to Aroma Canada damages pursuant to the Act in the amount of \$200,000; d. The claim for fraudulent conveyance is dismissed; e. The claims for oppression by all parties are dismissed; f. That Aroma Canada pay Aroma Franchise \$69,000 for unpaid royalties; g. That all claims in the counterclaim other than the award in sub-paragraph (e) are dismissed. h. The issues of costs and interest are reserved for further order after submissions by the parties on a schedule to be agreed by the parties or set by me." The Respondents application to set aside the Award was heard over a 3-day hearing before madam Justice Steele of the Ontario Superior Court of Justice in January, 2023. Among other things, the application contended that, at the time the Award was delivered, the arbitrator had a 15-month undisclosed financial relationship with counsel for the Claimants that gives rise to justifiable doubts as to his impartiality or independence. On March 20, 2023, Justice Steele delivered her decision, setting aside the Award and an ancillary award that had awarded the Claimants interest and legal costs, finding: "I have determined that a fair-minded and informed person, considering the facts and circumstances of this

matter, would conclude that circumstances exist that give rise to a reasonable apprehension of bias". It remains to be seen whether the Claimants will seek to appeal Justice Steele's decision. If they do, such appeal will take several months at least to be heard. If they do not, the parties will need to discuss the path forward for the appointment of a new arbitrator and the commencement of fresh arbitral proceedings.

Past Litigation

ARGO Café Dadeland, LLC v. Aroma Franchise Company, Inc., No. 1:14-cv-07352-PGG (United States District Court for the Southern District of New York, September 11, 2014). On August 1, 2014 we sent a default notice to our franchisee, ARGO Café Dadeland, LLC ("ARGO"), for past due amounts owed to us and our Affiliate. On September 11, 2014, ARGO filed suit against us in the Southern District of New York alleging fraudulent inducement, fraudulent misrepresentation, negligent misrepresentation, anticipatory breach of contract, unjust enrichment and violations of the New York Franchise Act. ARGO alleged that we made certain false or negligent representations to it in order to induce ARGO to purchase an existing Aroma Espresso Bar located in the Dadeland Mall in Miami, Florida (the "Dadeland Store"), including, the expected profitability of the Dadeland Store, the volume of foot traffic at the Dadeland Mall, the appearance of the premises and the promise of future development rights. ARGO sought actual and compensatory damages, lost profits, attorneys' fees and costs and interest. We disputed all claims. The lawsuit was dismissed with prejudice by order of the Court on January 21, 2015, with either party having the right to reinstate if a settlement was not finalized. Following mediation, we and ARGO entered into a Settlement Agreement in February 2015 under which (i) we agreed to purchase the Dadeland Store for \$200,000 plus a covenant not to sue for certain disputed debt owed by ARGO, and (ii) we and ARGO exchanged mutual releases. The Dadeland Store is now closed.

Other than the above action, no litigation is required to be disclosed in this Item.

4. BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

5. INITIAL FEES

Development Fee

If you sign a Development Agreement, you must pay us a non-refundable development fee equal to 30% of the initial franchise fee for each Aroma Espresso Bar (minimum of 1) to be established under the Development Agreement. When you sign each Franchise Agreement, the allocable portion of the development fee is credited against the initial franchise fee that is due and you must pay the balance of the initial franchise fee.

Initial Franchise Fee

You must pay us an Initial Franchise Fee of \$55,000, less any development fee credit, when you sign the Franchise Agreement. The Initial Franchise Fee is refundable if the Franchise Agreement is terminated because your Principal Owner or any General Manager fails to satisfactorily complete our initial management training program and you do not cure this failure within 90 days after written notice from us. The Franchise Agreement will also terminate, and we will refund the Initial Franchise Fee if we have an obligation to propose a site for the Espresso Bar within a certain time period and we fail to do so or you reject the site. Otherwise, the Initial Franchise Fee is not refundable.

We have designated our area representative as our agent to collect the Initial Franchise Fee, and the Initial Franchise Fee may be made jointly to us or our area representative. The area representative receives a portion of the Initial Franchise Fee as compensation for the services that it provides to the franchisees in its area of responsibility.

Opening Assistance

We provide on-site opening assistance when you open your Espresso Bar. The size of our opening team and the time period for which assistance is provided will vary depending on a number of factors including the size and location of your Espresso Bar. You must reimburse us for the wages and expenses of our representatives who provide this assistance, typically 10 people (though it may be more or less) at a minimum of \$13 an hour per day, plus travel, lodging, and meal expenses. These reimbursements are not refundable.

Sublease Deposit

If you sign a Sublease with us or our affiliate for the site of your Espresso Bar, you must pay us a security deposit, the amount of which will vary depending on the terms of our lease with the landlord. The security deposit may be refunded to you in accordance with the terms of the Master Lease and the Sublease.

Initial Inventory of Coffee and Baked Goods

You must pay Aroma Trade Company for your initial inventory of Aroma coffee and baked goods. We estimate the cost of an initial inventory of these items will range from approximately \$10,000 to \$15,000 for a 5 to 10 day supply. These costs are not refundable.

The fees described in this Item 5 are imposed uniformly on all franchisees and developers, as applicable.

6. OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fees	7% of Gross Sales. (See Note 1)	Royalties are payable on the 5th business day of each month for Gross Sales during the preceding month. We may change the payment date and payment period (from monthly to weekly) on at least 30 days written notice to you.	See Note 2 for Gross Sales definition. You must pay royalties in the manner we require, which may include payment by electronic funds transfer.

Type of Fee	Amount	Due Date	Remarks
Advertising Fund Contribution	Currently, 1.5%. We may require you to contribute up to 2% of Gross Sales on 30 days' written notice. (See Note 2)	Same as Royalty Fees	You must pay the Advertising Fund contribution in the manner we require, including by electronic funds transfer.
Local Advertising	1% of Gross Sales. (See Note 2)	When billed by the local advertiser.	If you do not spend the required amount, we may require you to pay us the deficiency which we will spend for local advertising in your area.
Advertising Cooperative	Currently, none.	Not applicable	We have the right to establish advertising cooperatives. If we establish a cooperative in your area, you must contribute an amount required by the cooperative's governing documents. We will credit the contribution against your local advertising requirement.
Sublease Payments	Varies based on factors like the terms of the master lease.	As required in the Sublease	See Item 11.
AromaCard Service Fee	\$100.	Monthly	The service fee is paid to the third party administrator of our gift card program.
AromaCards	\$0.50 to \$1.00 per card	Prior to delivery	You must purchase the AromaCards from Aroma Trade Company. (See Item 8)

Type of Fee	Amount	Due Date	Remarks
Aroma Products	Varies. Currently the cost of Aroma products varies from twelve cents (\$0.12) per unit (for cookies) to approximately sixteen dollars (\$16.00) per unit (for coffee). The cost, quantity and selection Aroma products will also vary periodically and may differ depending on your location and level of sales.	When invoiced	You must purchase Aroma coffee and certain baked goods from Aroma Trade Company. (See Item 8)
Transfer Fee	\$10,000, plus our reasonable costs associated with the transfer. See Note 1.	Before transfer	See Item 17. (Also applies to Development Agreement.)
Securities Offering Fee	\$5,000 plus our reasonable costs and expenses associated with the proposed offering.	When billed	We limit our review to the manner in which the offering materials treat your and our relationship. (Also applies to Development Agreement.)
Additional or Remedial Training	\$500 per diem, plus the actual cost of travel, lodging and meals or, if training is conducted on-line, a fee based on our cost to provide the training.	On demand	The actual costs of travel, lodging, and meals will vary depending on the location of the site and the duration of the visit.
Software License	Reasonable fee.	As agreed	If we develop or acquire special software for the Aroma System, we may license it to you for a fee.
POS Enterprise Program	\$80.	Monthly	See Item 11.
POSitouch System Maintenance Fee	\$2,000 to \$3,000.	Annual billing by designated dealer	Required maintenance fee. (See Item 11)
Interest	Lesser of 18% or highest legal rate.	When incurred	Due only if payments are overdue.
Inspection and Testing	Actual expenses incurred to inspect a proposed supplier's facility and test its products.	When billed	Before approving a supplier, we may require you or the supplier to pay the cost of testing the supplier's products and inspecting its facilities. See Note 3.
Audit Fee	Actual costs charged by firm conducting audit.	When billed	Payable if an audit shows you have understated any

Type of Fee	Amount	Due Date	Remarks
			amount owed to us by 2% or more. See Note 4.
Indemnification	Varies according to loss.	On demand	You must indemnify us when certain of your actions result in loss to us. (Also applies to Development Agreement.)
Replacement Fee for Manual	\$500.	On demand	We provide 1 set of Manuals at no charge.

Note 1: All fees and expenses described above are non-refundable and, unless otherwise indicated, are imposed uniformly by, and are payable to, us. Unless noted differently, we may increase these amounts based on changes in market conditions, our cost of providing goods or services and future policy changes, but we have no present plans to increase any fees or payments. We have designated our area representative as our agent to collect amounts due under the Franchise Agreement and payments may be made jointly to us or our area representative. The area representative receives a portion of the Royalty Fees and Transfer Fees as compensation for the services that it provides to the franchisees. You must remit payments to our area representative in accordance with our instructions unless and until we change those instructions in writing.

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 the Espresso Bar (including income from catering operations and special events), whether for cash or credit and regardless of collection in the case of credit. The following are included in “Gross Sales” except as noted: (a) the full value of beverages and food furnished to your employees as an incident to their employment, except you may credit the value of any employee discounts against Gross Sales during the week in which the items were furnished to determine the amount of Gross Sales upon which fees are due; and (b) the retail value of all products sold in connection with the redemption of coupons, gift certificates, gift cards or vouchers; provided, that at the time such coupons, gift certificates, gift cards or vouchers are purchased, the retail price thereof may be excluded from Gross Sales for the purpose of determining the amount of Gross Sales upon which fees are due. “Gross Sales” does not include (i) receipts from any vending machines or video games, except for any amount representing your share of those revenues; (ii) sales taxes you collect from customers, if the taxes are actually transmitted to the appropriate taxing authority; (iii) tips or gratuities paid directly to your employees by customers of the Espresso Bar or paid to you and turned over by you to your employees in lieu of direct tips or gratuities; (iv) returns to shippers or manufacturers; and (v) proceeds from isolated sales of trade fixtures not constituting any part of the products and services offered for sale at the Espresso Bar or having any material effect upon ongoing operations.

Note 3. The inspection/testing costs will be the actual expenses incurred to inspect a proposed supplier’s facility and test its products. Costs will vary based on a number of factors including, the location of the proposed supplier, the number of products to be tested and whether the franchisor conducts the inspection/test directly or engages a third party to do so.

Note 4. Costs will vary based on a number of factors, including, but not limited to, the extent of the audit and the fees charged by the firm conducting the audit. The audit fee will not exceed the actual costs charged by the firm conducting the audit.

7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Development Agreement

Type of expenditure	Amount Low - High	Method of payment	When due	To whom payment is to be made
Initial Development Fee ⁽¹⁾	\$16,500 to \$49,500	Lump Sum	When you sign Development Agreement	Us
TOTAL ⁽³⁾	\$ 16,500 to \$49,500			

Note 1: You must pay to us a development fee in an amount equal to 30% of the initial franchise fee for each Aroma Espresso Bar to be developed, determined as of the date the Development Agreement is executed. The low range disclosed above assumes the development for 1 Aroma Espresso Bar and the high range assumes the development of 3 Aroma Espresso Bars.

Note 2: We provide initial management training to your Principal Owner prior to the execution of any Franchise Agreement contemplated by the Development Agreement. Further, any General Manager and any successor or replacement Principal Owner or General Manager, must complete initial management training program. In addition, all such persons and any other employees as we may require shall attend and complete any additional training that we may from time to time require. Initial management training for Developer's Principal Owner and General Managers is provided at no additional charge; however, we reserve the right to charge a reasonable fee for training successor or replacement personnel and for any additional training programs. .

Franchise Agreement

Type of expenditure	Amount Low - High	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee ⁽¹⁾	\$55,000	Lump Sum	See Item 5	Us
Security Deposit and Rent (first 3 months) ⁽²⁾	\$0-\$180,000	As provided in Lease or Sublease	As required by Lease or Sublease	If a Lease, the Landlord If a Sublease, us or our affiliate
Design, Architect and Engineers ⁽³⁾	\$32,000-\$60,000	As Arranged	As Arranged	Suppliers
General Contractor ⁽⁴⁾	\$20,000	As Arranged	As Arranged	Contractor
Leasehold Improvements ⁽⁵⁾	\$250,000 to \$775,000	As Arranged	As Arranged	Contractor
Furniture, Fixtures, and Equipment ⁽⁶⁾	\$100,000 to \$250,000	As Arranged	As Arranged	Suppliers
Signage ⁽⁷⁾	\$10,000 to \$15,000	As Arranged	As Arranged	Suppliers

Type of expenditure	Amount Low - High	Method of payment	When due	To whom payment is to be made
Computer Hardware and Software ⁽⁸⁾	\$15,000 to \$25,000	As Arranged	As Arranged	Suppliers
Initial Training ⁽⁹⁾	\$20,000 to \$30,000	Lump Sum	When incurred	Suppliers
Grand Opening Expenses ⁽¹⁰⁾	\$500 to \$5,000	As Arranged	As Arranged	Suppliers
Initial Inventory of Aroma Products ⁽¹¹⁾	\$10,000 to \$15,000	As Arranged	As Arranged	Aroma Trade Company
Other Products & Supplies ⁽¹²⁾	\$5,000 to \$15,000	As Arranged	As Arranged	Suppliers
Professional Services ⁽¹³⁾	\$5,000 to \$15,000	As Arranged	As Arranged	Lawyers; accountants
Liquor License and Other Business Licenses and Permits ⁽¹⁴⁾	Varies	As Arranged	As Arranged	Government Agencies; your attorneys or other third party
Insurance and Other Prepaid Expenses ⁽¹⁵⁾	\$5,000 to \$10,000	As Arranged	As Arranged	Suppliers
Additional Funds for the initial phase (approximately 3 months) ⁽¹⁶⁾	\$10,000 to \$30,000	As Arranged	As Arranged	Employees and Suppliers
TOTAL ⁽¹⁷⁾	\$537,500 to \$1,500,000 ⁽¹⁸⁾			

Note 1: If your Espresso Bar is opened under a Development Agreement (minimum – 1 Espresso Bar), the 30% development fee credit described in Item 5 is applied to the initial franchise fee.

Note 2: The premises for Aroma Espresso Bars are normally leased. These estimates assume that you will lease the Espresso Bar premises and do not include costs of land acquisition and building construction. The amount of the lease security deposit will vary depending on the terms of the lease but may be between one month's rent and one year's rent. Some landlord's may require you to post a letter of credit instead of paying a security deposit. Monthly rental is an estimate for the initial phase of your business (approximately 3 months from opening) and will vary widely depending on the location of your Aroma Espresso Bar.

Note 3: You must use the designer, architects, and engineers that we designate.

Note 4: You must use the services of our designated general contractor.

Note 5: The leasehold improvements estimate is based on the cost of adapting our prototypical architectural and design plans to a facility containing approximately 2,500 square feet. Like lease costs, leasehold improvement costs will be affected by a number of factors like the location of the Espresso Bar and local market conditions. The estimates assume that the landlord will provide connections to adequate electrical, gas, water and sewage service. Your actual costs may or may not include site preparation and finish-out costs, depending on the terms of the lease. If the landlord contributes to the cost of finish-out, total leasehold improvement costs could be reduced. These estimates may vary substantially based on local commercial leasing and labor rates and other local conditions.

Note 6: These amounts include the cost of the furniture, fixtures, equipment and decor items required for your Aroma Espresso Bar. The actual amount may vary depending on whether you finance these items or pay in cash.

Note 7: These estimates include the cost of all required interior and exterior signage.

Note 8: This amount includes the cost of computer hardware and software that you must use in the operation of your Aroma Espresso Bar. (See Item 11.)

Note 9: There is no training fee or other charge paid to us for the initial training of your initial Principal Owner and any initial General Managers. Your trainees will receive minimum wage while working in our Training Store; however, you must pay their expenses (including travel, hotel, meal costs and salaries) during training. These expenses are highly variable.

Note 10: You must carry out a grand opening promotion for the Espresso Bar in compliance with our written specifications. We must approve all advertising items, methods and media.

Note 11: You must purchase an initial inventory of Aroma coffee and baked goods. We estimate the initial inventory will last approximately 5 to 10 days depending on your volume of business.

Note 12: You must also purchase other products and supplies to begin your business. We anticipate that these estimates will cover the cost of certain small wares (including utensils and dishes), paper products, other food and beverage products, condiments and supplies for approximately the first 5 to 180 days of operations, depending on your volume of business and the product or supply in question.

Note 13: This estimate is for the cost to engage a lawyer and accountant to review the franchise documentation and help establish your business entity. The cost of professional services can vary widely.

Note 14: We are unable to estimate the cost of your liquor license and other licenses and permits because of wide variations in costs depending on factors like location, the availability of liquor licenses, the ability to move a license and the market value of liquor licenses.

Note 15: This amount represents an estimate of the down payment on your annual insurance premiums. You must obtain the insurance coverage described in the Franchise Agreement and we must be named as an additional insured on these policies. Your cost of insurance may vary depending on the insurer, the location of your Espresso Bar, your claims history, and other factors.

Note 16: You will need additional funds during the initial phase of your business (estimated to be 3 months from opening) to purchase products and supplies and pay other expenses. These amounts do not include any estimates for debt service or any estimates for payroll expenses. You must also pay the royalty fees and other related fees described in Item 6 of this disclosure document. These figures are estimates, and we cannot assure you that you will not have additional expenses.

Note 17: These estimates are based on the prior experience of 23LEX in New York, on the experience of our affiliates that operate Aroma Espresso Bars in Miami, Florida, and on our Parent's experience in Israel. The total cost estimate also excludes costs related to obtaining a liquor license which are highly variable. You should review these figures carefully with a business advisor before making any decision to accept an offer to become a franchisee. Unless otherwise stated, the estimates in the chart above are subject to increases based on changes in market conditions, the cost of providing services and future policy changes. At the present time, we have no plans to increase payments we control.

Note 18: If you sign a Development Agreement, you must deposit the sum of \$1,000,000 multiplied by the number of Aroma Espresso Bars that you are required to develop under the development schedule into a reserve account to be used to develop the Aroma Espresso Bars required to be established under the Development Agreement. Regardless of the number of Aroma Espresso Bars contemplated by the development schedule, at no point will you be required to maintain more than \$5,000,000 in the reserve account.

Except as disclosed in Item 10, we do not offer any financing for any portion of your initial investment. Except for the Initial Franchise Fee which may be refunded as described in Item 5, no other amounts described above are refundable.

8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

REQUIRED PURCHASES

You must purchase or lease certain products, services, supplies, equipment, and/or inventory used in establishing and operating the Espresso Bar from us or our affiliates or designated or approved suppliers.

Aroma Coffee and Baked Goods

Aroma Trade Company is the sole supplier of Aroma coffees, including coffee mixtures, vacuum coffee, filter coffee, Turkish coffee and the essences of all coffee flavors for hot, cold and iced beverages. Aroma Trade Company is also the sole supplier of baked goods, including baked breads, cookies and pastries of all kinds and fresh or frozen dough for breads, cookies and pastries. We or Aroma Trade Company may produce or supply other items in the future that you must purchase solely from us or our affiliates.

Sublease

We or our affiliate will locate the site for your Espresso Bar, will lease the site directly from the landlord, and sublease it to you. The lease/sublease terms of Franchise Agreements we have previously offered may differ from the current site selection and subleasing requirements. In the past we have permitted franchisees in certain circumstances to enter into leases directly with the landlord of the Espresso Bar premises, and we may do so in the future, in our sole discretion.

Architectural, Engineering and General Contractor Services

You must obtain architectural, engineering and general contractor services only from our designated general contractor, engineer and architect, unless we grant our approval to use a different service provider.

Design Services; Furniture, Fixtures and Equipment

You must obtain all design services for your Aroma Espresso Bar and all furniture, fixtures and equipment (including kitchen equipment, kitchenware, arm chairs, additional seating, bar, counters, tables, sunshades and other items) solely from suppliers we designate. We and our affiliates are not currently designated suppliers of these items, but we may be in the future.

Branded Products

You must obtain all branded products at your Aroma Espresso Bar or used in providing services from your Aroma Espresso Bar solely from suppliers we designate. We and our affiliates are not currently designated suppliers of these items, but we may be in the future.

AromaCards

You must participate in our AromaCard gift card program. You must purchase the cards from Aroma Trade Company and must redeem those cards submitted by customers. Funds from AromaCard purchases by customers are held in a central AromaCard account and are disbursed when redemptions occur. Although we are not required to do so, any interest accrued on funds held in the AromaCard account will be contributed to the Fund (defined below).

APPROVED SUPPLIERS

Hard Food Products, Milk-Based Products and Consumables

You must purchase all hard food products (like tuna, sauces, olives, oil, sugar and marmalades) and all milk-based products (like milk, cheese and chocolate) solely from suppliers we have approved. In addition, you must purchase all consumables (like cups, cutlery, napkins, packaging and wrapping materials) only from our approved suppliers. In the future, we may identify other items that must be obtained from suppliers we have approved.

Approved and designated suppliers are those who demonstrate the ability to meet our then-current standards and specifications, including those for quality, quality assurance, manufacturers' verifications and adequate supervision. Approved and designated suppliers must possess adequate quality controls and the capacity to supply your needs promptly and reliably. We must have approved each such supplier in writing and not have revoked or withdrawn that approval.

If we require that an item be purchased from an approved or designated supplier and you wish to purchase it from a supplier we have not approved or designated, you must submit to us a written request for approval. You must not purchase or lease the item from the supplier until and unless we have approved the supplier in writing. We have the right to inspect the supplier's facilities, and to have samples from the supplier delivered to us or to an independent laboratory we designate for testing. We may re-

inspect the facilities and products of any approved or designated supplier, and may revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria. You must reimburse us for the costs that we incur in the supplier approval process. Nothing requires us to approve any particular supplier. Though we are not required to notify you of our approval or disapproval within any specified period of time, we will attempt to approve or disapprove a proposed supplier within 45 days of the date on which we receive all information we request about the proposed supplier. Our specifications for products and criteria for supplier approval are generally issued through written communications and are available to franchisees and approved suppliers.

We may change the number of approved or designated suppliers at any time and may designate ourselves, our affiliate, or a third party as the exclusive source for any particular item. We may profit from your purchases from approved or designated suppliers, and we and/or our affiliates may receive payments, fees, commissions or reimbursements from approved or designated suppliers in respect of your purchases.

As noted above, Aroma Trade Company supplies certain products and services to franchisees, and certain of our officers have an indirect ownership interest in Aroma Trade Company as a result of their ownership interest in Aroma Israel. Otherwise, none of our officers owns an interest in any privately-held suppliers, or a material interest in any publicly-held suppliers, of the Aroma franchise system. From time to time, our officers may own non-material interests in publicly-held companies that may be suppliers to our franchise system.

PURCHASES ACCORDING TO SPECIFICATIONS

You must comply with all of our standards and specifications for the purchase of all supplies, materials, fixtures, furnishings, equipment (including computer hardware and software) and other products used or offered for sale at the Espresso Bar. Specifications may include minimum standards for quality, quantity, delivery, packaging, performance, design, appearance, durability, style, warranties, price range, and other related restrictions. We consider these specifications to be of critical importance to the success of the System. Among other things, the following must comply with our specifications:

Advertising and Promotional Materials

All of your advertising and promotions must conform to our standards and requirements. Samples of all advertising, promotional and marketing materials that we have not prepared or previously approved must be submitted to us for approval before you use them. We may withdraw our approval at any time. You must not use the plans or materials until we have approved them, and must promptly discontinue using any advertising or promotional plans or materials, whether or not we have previously approved them, if we notify you to do so.

Insurance

You must obtain and maintain the following insurance policies, which must be written by a responsible insurance carrier or carriers rated "A VIII" or better by the A.M. Best Company, Inc. and that are acceptable to us. At a minimum, you must carry (i) comprehensive general liability insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, liquor liability (if there is a liquor license), completed operations, products liability and fire damage coverage in the amount of \$1,000,000 each occurrence, \$2,000,000 general aggregate, or any greater amounts as your lessor may require; (ii) "Causes of Loss: Special Form" coverage for the full replacement cost of the Business Personal Property and Improvements and Betterments (as those terms

are generally defined in the “Causes of Loss: Special Form” policy) of the Espresso Bar premises and all other property in which we may have an interest with no coinsurance clause for the premises or agreed value basis naming us as loss payee (the limit cannot be less than the build out cost plus the business personal property plus inventory. Coverage for equipment breakdown and spoilage must be included.); (iii) automobile liability coverage, including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than \$1,000,000 combined single limit; (iv) an “umbrella” policy providing excess coverage with limits of not less than \$4,000,000 each occurrence and \$4,000,000 in the aggregate; (v) business income/interruption insurance providing for continued payment of all amounts due or to become due under the Franchise Agreement; this insurance must be written on a Special Causes of Loss form; coverage for business income/interruption must be provided for at least 12 months, with a minimum of 30 days of extended business income coverage; (vi) employment practices liability insurance coverage in amounts not less than \$1,000,000; (vii) worker’s compensation insurance in the amounts required by applicable law; (viii) disability insurance, as required by law; and (ix) any other insurance required by the landlord of the premises or by the state or locality in which your Espresso Bar is situated. You must also carry builders risks/installation insurance for any construction, renovation, refurbishment or remodeling of the Espresso Bar. All insurance policies, with the exception of workers’ compensation, disability, and employment practices liability insurance, must name us and our affiliates, our area representative, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them, as additional insureds using a form acceptable to us.

PURCHASING ARRANGEMENTS

During the 2022 fiscal year, we did not receive any revenues from the sale of products or services to franchisees in the United States; however, Aroma Trade Company had revenues of \$718,045 from sales of inventory to franchisees. These figures were drawn from the books and records of Aroma Trade Company.

During the 2022 fiscal year neither we nor our affiliates received payments from any designated sources because of transactions with franchisees in the United States. However, we or our affiliates may in the future sell products directly to our franchisees and/or receive rebates or other payments from approved or designated sources based on purchases by franchisees in the United States.

We may negotiate certain purchase arrangements (including price terms) for the purchase of certain items with suppliers. In doing so, we seek to promote the overall interests of our franchise system and our interests as the franchisor. We will not provide material benefits to franchisees based upon their use of designated or approved suppliers. There are currently no purchasing or distribution cooperatives for the System.

Your obligations to purchase or lease goods, services, supplies, fixtures, equipment, inventory, and computer hardware and software from us or our designee, from suppliers we approve, or under our specifications are all considered “required purchases.” We describe these obligations in detail in the preceding sections of this Item 8. The magnitude of required purchases in relation to all purchases you make to establish and operate the Espresso Bar is difficult to determine due to the highly variable nature of expenditures necessary to establish and operate the Espresso Bar as described in Item 7. We estimate that your total initial required purchases will be 30% to 40% of your total initial investment (not counting the initial franchise fee or application fee) and approximately 80% to 90% of your ongoing expenses while operating under the Franchise Agreement.

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 the this disclosure document.

FA: Franchise Agreement

DA: Development Agreement

Obligation	Section in Franchise and Development Agreements	Disclosure document item
a. Lease	FA: Section V. DA: Not Applicable	Items 8 and 11
b. Pre-opening purchases/leases	FA: Sections V., VIII., and XII.	Items 5, 7 and 8
c. Site development and other pre-opening requirements	FA: Sections V., VIII., XII.; DA: Section III.	Items 5, 7 and 11
d. Initial and ongoing training	FA: Section VI.	Item 11
e. Opening	FA: Sections V., VI.B., VIII.F., and Exhibit A; DA: Section III.	Item 11
f. Fees	FA: Sections IV., VIII, XIV.B.; DA: II.	Items 5, 6 and 7
g. Compliance with standards and policies/Operating Manual	FA: Section III., VII., VIII., IX., X., XI., XII., XIII.; DA: Sections III., VI., VII. and X.	Items 8 and 11
h. Trademarks and proprietary information	FA: Sections V., IX., X., and XI.	Items 13 and 14
i. Restrictions on products/services offered	FA: Sections VII. and VIII.	Item 8 and 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quota	FA: Section II.; DA: Sections I. and III.	Item 12
l. Ongoing product/service purchases	FA: Sections VII. and VIII.	Item 8
m. Maintenance, appearance and remodeling requirements	FA: Sections VII., VIII. and XIV.	Items 8 and 11
n. Insurance	FA: Section XII.	Items 7 and 8
o. Advertising	FA: Section VIII.	Items 6, 7, 8, and 11
p. Indemnification	FA: Sections XIII., XIV., and XV.; DA: Section XI.	Item 6
q. Owner's participation/management/staffing	FA: Sections VII. and VIII.; DA Section V.	Items 11 and 15
r. Records and reports	FA: Sections V., VIII., and XI.; DA: Section VII	Items 11 and 17
s. Inspections and audits	FA: Sections V., VII. and XI.	Items 6, 8 and 11

t. Transfer	FA: Section XIV.; DA: Section IX.	Items 6 and 17
u. Renewal	FA: Not Applicable; DA: Section III.; DA: Section VIII.	Not Applicable.
v. Post-termination obligations	FA: Section XVIII.	Item 17
w. Non-competition covenants	FA: Section X.; DA Section X.	Item 17
x. Dispute Resolution	FA: Section XX.F., G., and H.; DA: XVII.	Item 17
y. Guarantee	FA: Section XIX.C; Exhibit B; DA: Section VII.D, Exhibit E.	Item 15

10. FINANCING

Unless you have signed a Development Agreement, we or our designee may enter into a lease directly with the landlord for the site of your Espresso Bar and may sublease the site to you. Our standard form Sublease is attached to this disclosure document as Exhibit F. Certain of your owners may be required to sign a Sublease Guarantee, guaranteeing your payment and performance under the Sublease Guarantee. Certain terms of the Sublease are summarized below, but Sublease terms will vary depending on the terms of the master lease. The term of the Sublease will end at the same time as the term of your Franchise Agreement.

Item Financed	Amount Financed	Down Payment	Term	APR %	Monthly Payment	Prepay Penalty	Security Required	Liability on Default
Espresso Bar Sublease	Varies	Security Deposit - See Items 5 and 7	Varies	N/A	See Item 6	None	None	Termination of Sublease; Termination of Franchise Agreement

Except as described above, we and our affiliates do not offer direct or indirect financing for franchisees, nor do we guarantee notes, leases, or other obligations for franchisees.

We and our affiliates do not have any past or present practice or intent to sell, assign, or to discount to a third party, all or part of any financing arrangement, but reserve the right to do so.

11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

In New York, we have delegated certain of our obligations under the Franchise Agreement to an area representative. If we have an area representative in your area, you will deal directly with our area representative.

Pre-Opening Obligations: Before you open your Aroma Espresso Bar, we or our affiliate will:

1. Provide you with standards and specifications, including equipment, product, and supplier standards and specifications as part of the "Confidential Information that we provide to you. (Franchise Agreement, Section I)

2. Use commercially reasonable efforts to locate and acquire a site for the Espresso Bar. (Franchise Agreement, Section V.A.) We will propose a site to you between 6 and 12 months following the execution of the Franchise Agreement and you will have 30 days to accept or reject it. If you accept the site, you must sign a Sublease with us or our designee. If you reject the site, or if we fail to propose a site to you within the 6 to 12 month time period, the Franchise Agreement will terminate and we will return to you that part of the Initial Franchise Fee that you have paid. If we approve a site you own for your Aroma Espresso Bar, you will lease us the site and then Sublease the site back from us. (Franchise Agreement, Sections V.A. and B.)

Before exercising any development right and signing a corresponding Franchise Agreement, you must apply for a franchise to operate an Espresso Bar in the Territory and we will review such application. (Development Agreement, Sections III.A.1)

You must obtain all zoning classifications, clearances and approvals relating to the Franchise Location and all required permits, licenses, and certifications. You must obtain a license to serve alcoholic beverages within 1 month after the date your Espresso Bar opens for business. (Franchise Agreement, Section V.C.)

3. Provide you with access to our prototypical design plans and specifications for an Aroma Espresso Bar. (Franchise Agreement, Section V.C.)

4. Provide you a list of any approved suppliers. (Franchise Agreement, Section VII.D.)

5. Conduct an initial training program. (Franchise Agreement, Sections VI.A.; Development Agreement, Section V.C.)

6. Provide you on-site opening assistance. (Franchise Agreement, Section VI.B.)

7. Assist you with the specifics relating to our standards and specifications for the purchase of all products and services used in connection with or offered for sale at the Espresso Bar, including assistance with coordinating your purchase of initial inventory of Aroma coffee and baked goods from Aroma Trade Company. (Franchise Agreement, Section VII.D.)

Typical Length of Time Before You Open Your Espresso Bar

We estimate that it will be approximately 15 months from the time you sign the Franchise Agreement to the time you begin operations. This time may be shorter or longer depending on the time needed to obtain an approved site; to obtain financing; to obtain all necessary permits and licenses; to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors; and to complete the training program to our satisfaction. You must begin business within 270 days after signing a lease or Sublease, unless we give you a written extension. (Franchise Agreement, Section V.D.)

Continuing Obligations: During the operation of your Aroma Espresso Bar, we will:

1. Conduct periodic evaluations of your operations. (Franchise Agreement, Section VII.A.(6))

2. Establish and administer an advertising fund and provide for a reasonable fee any advertising and promotional materials we develop. (Franchise Agreement, Sections VIII.C.)

3. Provide additional and/or remedial training. (Franchise Agreement, Section VI.C. and D.)

4. Give you updated approved supplier lists as we deem appropriate. (Franchise Agreement, Section VII.D.)

5. Provide additional and/or remedial training programs and seminars at our option. (Franchise Agreement, Sections VI.C. and D.)

6. For a fee, provide you access to any proprietary software programs that we as develop or acquire for use in the System. (Franchise Agreement, Section VII.F.)

7. Let you use the Marks. (Franchise Agreement, Section IX)

8. Continue to provide you access to 1 set of our Manuals, which may consist of and is defined to include bulletins, videotapes, audio tapes, compact discs, computer diskettes, CD ROMs and electronic communication. We may add to or modify the Manuals from time to time. (Franchise Agreement, Section X.A.; Development Agreement, Section V.D.).

ADVERTISING

You must participate in all advertising and sales promotion programs that we may authorize or develop for Aroma Espresso Bars. (Franchise Agreement, Section VIII.D.) You must pay the cost of a Yellow Pages trademark listing in directories and categories that we may require. (Franchise Agreement, Section VIII.G.)

You must spend at least 1% of your Espresso Bar's Gross Sales on local advertising. You must submit to us any reports (including substantiating receipts) detailing your local advertising expenditures that we may require. (Franchise Agreement, Section VIII.A.) All advertising and promotions you place in any medium must be conducted professionally and must conform to our standards and requirements, as described in Item 8. (Franchise Agreement, Section VIII.E.)

We can designate any geographic area in which 2 or more company-owned or franchised Aroma Espresso Bars are located as a region for an advertising cooperative ("Cooperative"). If we do, the Cooperative must be organized, governed, and begin operation as we determine. Any Cooperatives we authorize will be for the exclusive purpose of administering advertising programs and developing promotional materials for members in local advertising. If a Cooperative is established for a geographic area that includes your Protected Area (defined below), you must become a member of the Cooperative and participate in the Cooperative by contributing the amounts required by the Cooperative's governing documents. However, you must not contribute more than the amount you would otherwise be required to spend on local advertising, and your Cooperative contribution will be applied toward satisfaction of your local advertising requirement. You must also submit to the Cooperative and to us all statements and reports that we, or the Cooperative, may require. Cooperative contributions will be maintained and administered under the Cooperative's governing documents and the Cooperative will be operated solely as a conduit for the collection and expenditure of advertising contributions. (Franchise Agreement, Section VIII.B.)

In addition to local advertising (individually or through a Cooperative), we have established an advertising fund ("Fund") to produce advertising for the System on a regional and/or national basis. We may require you to begin contributing up to 2% of your Espresso Bar's Gross Sales on 30 days' written notice to you. (See Item 6) We or our affiliates will contribute to the Fund generally on the same basis as you do for Aroma Espresso Bars that we may operate. We or someone we designate will administer the Fund and direct all advertising programs, including the creative concepts, materials and media used in the programs. We may use the Fund to satisfy the costs of maintaining, administering, directing, preparing and producing advertising. This includes the cost associated with developing, maintaining and updating

our Website, electronic and digital media; of preparing and producing television, radio, magazine, newspaper, and social media advertising campaigns; direct mail and outdoor billboard advertising; public relations activities; employing advertising agencies; and costs of our personnel and other departmental costs for advertising that we administer or prepare internally. We are not required to make expenditures for you that are equivalent or proportionate to your Fund contribution or to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising, nor are we required to spend any amount on advertising in any particular franchisee's Territory. Except for a portion of the Fund spent on Website development and maintenance (a portion of which may include soliciting the sale of franchises using the Website), the Fund is not used to solicit the sale of franchises.

We anticipate that Fund advertising will be conducted primarily through electronic, digital, or print media on a regional or national basis, and that the majority of our advertising will initially be developed in-house. We presently do not have an advertising council.

We will not use your Fund contributions to defray any of our operating expenses, except for any reasonable administrative costs and overhead that we may incur in administering or directing the Fund. We will prepare an annual statement of the Fund's operations and will make it available to you if you request it. We are not required to have the Fund statements audited.

We may terminate the Fund at any time upon 30 days prior written notice to you. If we terminate the Fund, all unspent monies will be distributed to the contributors in proportion to their respective contributions during the preceding 12-month period. (Franchise Agreement, Section VIII.C.)

In the 2022 fiscal year the Fund spent its income as described below:

Production	12.43%
Media placement	84.99%
Other (sales & holiday promotions and customer/crisis relations)	2.58%
Administrative Expenses	0.00%
Total	100%

In 2022 none of the Fund was spent for the solicitation of new Aroma Espresso Bar franchisees through our Website.

You must participate in, and comply with the requirements of, any gift card, gift certificate, customer loyalty or retention, or special promotional program that we implement for all or part of the Aroma System and sign the forms and take the other action we require for you to participate in these programs. (Franchise Agreement, Section VIII.D.)

You must comply with our social media policy for franchisees, and we may change our policy over time. Our current social media policy does not permit franchisees to operate independent social media or other websites.

COMPUTER AND ELECTRONIC CASH REGISTER SYSTEMS

You must install and maintain an IBM-compatible computer at the Espresso Bar that is capable of running the software that we require and that operates on a Microsoft Windows XP or higher operating

system. The computer must have high-speed modem that permits you to connect to the Internet and to transmit and receive e-mail over a high-speed internet connection (T-1, DSL or cable). This computer must be purchased in addition to any computer(s) provided with or required for the point-of-sale system.

You must install and run the POSitouch point-of-sale system. You must also install and maintain between 2 and 4 point-of-sale terminals (depending on the size of your Espresso Bar) that are capable of running this system. The POSitouch system is used to compile and manage Espresso Bar sales information. You must purchase the POSitouch system from a dealer we designate. Our current designated dealer for the POSitouch system is CC Productions, Inc. which maintains its principal place of business at 300 Observer Highway, Hoboken, N.J. 07030; 1-800-507-5554.

You must install and use Microsoft Corporation's Office 2000 (or higher version) software. The Microsoft Office 2000 software is used for word processing, spreadsheet and other office functions. You may obtain the Microsoft Office software from any source. Microsoft's principal business address is One Microsoft Way, Redmond, Washington 98052-6399, and its telephone number is (425) 882-8080. Aroma Espresso Bars have not previously used the Microsoft Office software.

You must install Internet navigation software and maintain a high-speed Internet connection (T-1, DSL or cable) with e-mail capability. You may use any reputable Internet service provider.

We estimate that the cost of the computer and point-of-sale systems will be approximately \$15,000 to 25,000 (of which approximately \$14,000 to \$17,500 is attributable to the POSitouch system) depending on the size of your Espresso Bar. You will be required to pay an annual maintenance fee of \$2,000 to \$3,000 for the POSitouch system and enroll in our POS Enterprise Program, which currently costs \$80 per month. The POS Enterprise Program provides you and us, access to the POS data online.

Neither we, our affiliates, nor any third parties are required to provide ongoing maintenance repairs, upgrades to your computer system.

You must install any other hardware or software for the operation of the Aroma Espresso Bar that we may require in the future, including any enhancements, additions, substitutions, modifications, and upgrades. Specifically, we may require that you install and maintain systems that permit us to independently access and retrieve electronically any information stored in your computer systems, including information concerning your Espresso Bar's Gross Sales, at the times and in the manner that we may specify periodically. There is no contractual limitation on the frequency or cost of these obligations. We may also require you to license from us, or others we designate, any computer software we develop or acquire for use by Aroma Espresso Bars. (Franchise Agreement, Section VII.F-G)

CONFIDENTIAL MANUALS

After you sign the Franchise Agreement, we will give you access to a copy of our Confidential Operations Manuals. We consider the contents of the Manuals to be proprietary and you must treat them as confidential. You may not make copies of the Manuals. If you lose the Manuals, or if they are stolen, you must pay to us \$500. You must return the Manuals upon expiration or earlier termination of your Franchise Agreement. (Franchise Agreement, Section X.A.) The table of contents of our Manuals (including the number of page devoted to each subject) is attached as Exhibit E to this disclosure document. The total number of pages in the Manual is 94 pages.

INITIAL TRAINING

Your Principal Owner and any General Manager must successfully complete to our satisfaction

our initial management training program before you open the Espresso Bar at an Aroma Espresso Bar designated by us as a training store (“Training Store”). Currently, our Training Store is located in Miami Florida. Initial training programs will be offered as needed depending on the number of franchisees entering the Aroma Espresso Bar franchise system. The subjects covered, approximate hours of classroom and on the job training, and other information about our initial training program are described below:

TRAINING PROGRAM

Subject	Hours of Classroom Training (See Note 1)	Hours of On-the Job Training (See Note 1)	Location (See Note 2)
Kitchen: Dishwasher and maintenance of unique essential working tools in the kitchen.	Reading the manual in your free time.	½ week	Training Store in the geographic Region in which your Espresso Bar will be located and/or other location(s) that we designate.
Kitchen: Learning the kitchen environment and needs; operating the essential machinery; preparations for shifts; cleaning the machinery and the kitchen at the end of the shifts; “closing” & “opening” the kitchen at the end/beginning of the day; safety instructions with regard to the general operating of the kitchen including the machinery.	Reading the manual in your free time. Learning each tool and its utilities.	3 weeks	Training Store in the geographic Region in which your Espresso Bar will be located and/or other location(s) that we designate.
Kitchen: Study of the products ingredients. Learning the method of preparing the products. (i.e.: sandwiches, salads, soups, breakfast, special meals, ice drinks based on coffee essence and any other products relevant to the kitchen.	Reading the manual in your free time. Learning the menu and the ingredient of the Aroma’s products.	3 weeks	Training Store in the geographic Region in which your Espresso Bar will be located and/or other location(s) that we designate.
Kitchen: Managing the kitchen including employees and its fluent day to day work; ordering & acceptance of merchandise / goods which are relevant to the kitchen.	Reading the manual in your free time. Studying of the quantity and amount of ingredients / product needed in daily work of the specific branch.	1 ½ weeks	Training Store in the geographic Region in which your Espresso Bar will be located and/or other location(s) that we designate.
Cashiers: Learning to work and operate the cashiers in sufficient level; learning the Aroma’s policy in confrontation with customers, customer service; dealing with customers complains; learning the important elements while working in the cashiers; learning the vocabulary used while taking care of a customer; learning	Reading the manual in your free time. Studying the cashiers manuals and the way of operating them.	6 weeks	Training Store in the geographic Region in which your Espresso Bar will be located and/or other location(s) that we designate.

Subject	Hours of Classroom Training (See Note 1)	Hours of On-the Job Training (See Note 1)	Location (See Note 2)
the importance of a customer & how to make a customer satisfied.			
Bar: Learning the general operation of the bar, its duties, needs and its requirements' from the kitchen. Studying each position in the bar by helping the employee who is responsible for certain position. Learning how to open / close the bar including the preparations which are relevant for the daily work.	Reading the manual in your free time. Studying the machinery manuals and the way of operating them.	1 week	Training Store in the geographic Region in which your Espresso Bar will be located and/or other location(s) that we designate.
Bar: Studying and getting a deep overview of the coffee world; Learning the ingredients of all drinks, whether based on coffee essence or not. Studying to be a barista - the art of preparing Aroma's hot drinks and its important elements; understand the cooperation between the barista - dispatcher and the important need for them to work in synchronization. Learning to operate & maintain the machinery in the bar (i.e.: espresso machines, grinders of coffee, etc.)	Reading the manual in your free time.	6-8 weeks	Training Store in the geographic Region in which your Espresso Bar will be located and/or other location(s) that we designate.
Dispatcher: Emphasize on the position of the dispatcher, the overall service & services given in the branch to the customers; Synchronization between the positions/stations in the branch; General overview of mastering the order in the branch & managing the employees; Behavior of the employees in the branch's environment; Learning how to motivate the employees during the shift; Cases & Reactions to situations created with customers; Bakery: Studying each kind of pastries and its characteristics with regard to the baking process. Learning the essence of the bakery, its maintenance & the day to day work related to the operation of the heavy machinery and other accessories related to the bakery; Learning bakery procedures & safety regulations; presentation of the products.	Reading the manual in your free time. Studying the machinery manuals and the way of operating them.	6 weeks	Training Store in the geographic Region in which your Espresso Bar will be located and/or other location(s) that we designate.

Subject	Hours of Classroom Training (See Note 1)	Hours of On-the Job Training (See Note 1)	Location (See Note 2)
Guidelines for the daily management of the branch: Performing the orders of the day to day supply / stock to the branch; Accepting merchandise and arranging it in the branch; Analysis of the financial report of the branch; Managing of the employees' salaries; Studying the efficient structure of the constant / flexible expenses of the branch; Building work roster; Learning the computer system, TV, and sound system.	Reading the manual in your free time.	2 weeks	Training Store in the geographic Region in which your Espresso Bar will be located and/or other location(s) that we designate.
		Total: 29 to 31 weeks	

Notes:

(1) The time periods allocated to the subject listed above are approximations, and the time actually spent by you and your personnel may vary based on the experience and performance of those persons trained.

(2) All required initial management training will be conducted at a Training Store in the geographic Region in which your Espresso Bar will be located and/or other location(s) that we designate. Currently, training is conducted in NY or Miami.

The instructional materials used in training include the manuals as well as other presentation materials, including PowerPoint presentations and handouts. *The initial training program is administered and directed by Oshrat Katri and Tzahi Katri, who have both been serving as officers of Aroma since 2015. Each have 7 or more years' experience in the field of operations and training relating to operations of Aroma Espresso Bars.* Additionally, employees who have experience in some facet of the operation of a Aroma Espresso Bar (for example experienced owners, managers, bakers, baristas, cashiers, and dispatchers and owners) may also assist in the training.

Initial management training will last approximately 6 months (29 to 31 weeks). The initial management training must be completed to our satisfaction before you open the Espresso Bar. Initial management training that is provided at a Training Store will be provided at no additional charge for your Principal Owner and, if you have a Development Agreement, for General Manager per location. Trainees will be paid minimum wage during the training period.

If your Principal Owner or any General Manager does not satisfactorily complete the required training program, you must cure the default within 90 days after we notify you, or we may terminate your Development or Franchise Agreement, as applicable. (Development Agreement, Section VI.B.(1); Franchise Agreement, Section VI.A.)

Any replacement or successor Principal Owner or General Manager you later designate must also satisfactorily complete our required training program. Currently, Training is conducted at our Training Store in Miami, Florida. There is currently no fee for this training, but the franchisee must bear all travel, living, and other expenses of its personnel during training. (Development Agreement, Section VI.B.(1);

Franchise Agreement, Section VI.E.)

We may offer and may require your Principal Owner, General Managers, and other personnel to attend additional, supplemental or remedial training programs for which we may charge a fee. Currently, Training is conducted at our Training Store in New York, New York. If any training is conducted outside the Training Store (including on-line training), we may charge a fee. We are currently unable to estimate the location, duration, frequency, range of costs, or content of the additional, supplemental or remedial training programs because of our limited experience in the United States in conducting and requiring these programs and because the programs will vary based on our evaluations of the needs of the personnel attending the programs. (Franchise Agreement, Sections VI.C. through E.; Development Agreement, Section VI.B.(1))

You must pay any and all expenses that you and your personnel incur for any initial or additional training, including, the costs of travel, lodging, meals and wages (except as noted above). (Franchise Agreement, Sections VI.A. and E.; Development Agreement, Section VI.B.(1))

12. TERRITORY

Franchise Agreement

The Franchise Agreement gives you the right to operate an Aroma Espresso Bar at a specific site that will be identified in Exhibit A to the Franchise Agreement (the “Franchise Location”). You must operate the Espresso Bar only at the Franchise Location. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

If you are in compliance with the Franchise Agreement and any other agreement you have with us or our affiliates, we and our affiliates will not operate or authorize anyone except you to operate an Aroma Espresso Bar within a certain radius of the Franchise Location excluding any Reserved Area described below) (the “Protected Area”). The actual size and shape of the Protected Area will be determined based on several factors, including population density, income level and the number of households and businesses in the area. Once it is determined, it will be entered on Exhibit A to the Franchise Agreement. Typically, your Protected Area will be an area of at least one sixteenth (1/16) of a mile; however, in densely populated urban areas, your Protected Area may consist of a large building, such as a skyscraper, or a city block. In these areas, your Protected Area could be less than one sixteenth (1/16) of a mile.

You do not need to achieve any particular sales volume or market penetration in order to maintain your rights in the Protected Area. We do not grant options, rights of first refusal or similar rights for the acquisition of additional franchises within the Protected Area or in contiguous areas.

You may not actively solicit or accept business from consumers located outside your Protected Area through any method of distribution, including alternative channels such as the Internet, catalog sales, telemarketing, or other direct marketing. There are no restrictions on our right to solicit or accept business from consumers inside the Protected Area without paying any compensation to you.

You cannot relocate the Espresso Bar without our consent. If you lose possession of the Franchise Location through no fault of your own, you may request our consent to relocate the Espresso Bar to another location in the Protected Area. If we grant you the right to relocate the Espresso Bar, then you must comply with such reasonable site selection and construction procedures as we may require.

We retain all other rights. Among other things, this means we can:

(i) operate, and license others to operate, Aroma Espresso Bars at any location outside the Protected Area and in any Reserved Area. A “Reserved Area” includes any enclosed shopping center, amusement park, theme park, sports stadium or arena, airport, train station, hospital, school, hotel, office building or military base; and

(ii) within and outside the Protected Area, (a) develop and establish other business systems using other names or marks, (b) advertise and promote the System in the Protected Area; and (c) offer and sell, and authorize others to offer and sell, any similar or dissimilar products and services, (under the Marks or under other names or marks) through any channel or by any method of distribution other than an Aroma Espresso Bar, including through catering, delivery, temporary or seasonal facilities at special events or venues like concerts, street fairs, parks, parades, sporting events and similar venues and through mail order or over the Internet.

We or our affiliates may also operate, and license others to operate Aroma Espresso Bars in the Protected Area, if we acquire them as part of an acquisition of an existing business operating, at the time of acquisition, under a different trade name or mark. If we make such an acquisition, we will notify you in writing of each acquisition in the Protected Area within a reasonable period of time after we acquire the stores. If we can do it without violating any law or contract right and if you meet our then-current requirements for a new franchisee, we will offer you the option to purchase the stores located in the Protected Area. The purchase price will be equal to the allocated cost of the stores and the option must be exercised in writing within 30 days after you receive our notice. We will calculate the allocated cost of the stores in your Protected Area based on the aggregate acquisition cost of all stores and other net assets we acquired in the acquisition, wherever located (collectively, “Total Assets”). We will multiply our aggregate acquisition cost for the Total Assets by a fraction, the numerator of which is the number of stores located in the Protected Area, and the denominator of which is the total number of stores we acquired. If you elect to buy the stores in your Protected Area, the purchase price shall be paid in cash at closing, which shall take place within not more than sixty (60) days following the date on which we receive notice that you exercise your option, or any other date that you and we agree in writing. At closing, you and we will enter into our then-current form of franchise agreement and you will pay all applicable fees for the operation of each of the stores you purchased. You must also make any repairs and renovations to the stores you acquire that we reasonably require.

Development Agreement

If we enter into a Development Agreement with you, we will grant you a geographic area, or “Territory,” within which to establish Aroma Espresso Bars. We determine the Territory before you sign the Development Agreement based on various market and economic factors like market demographics, the presence of similar businesses in the market, the availability of appropriate sites, and growth trends in the market. The Territory may be all or a portion of a city, a single or multi-county area, or some other area, and will be described in Exhibit A to the Development Agreement.

You must develop Espresso Bars in the Territory within the time periods provided in the Development Agreement (the “Development Schedule”). You and we agree to the Development Schedule before signing the Development Agreement. Before exercising any development right and signing a corresponding Franchise Agreement, you must apply for a franchise to operate an Espresso Bar in the Territory and we will review such application.

If you comply with the Development Agreement and any other agreements that you or your affiliates have with us or our affiliates, then we and our affiliates will not establish, or authorize anyone except you to establish, an Espresso Bar in the Territory during the term of the Development Agreement. We retain all other rights. Among other things, this means we can conduct activities in the Territory like

those described above in relation to the Protected Area under the Franchise Agreement.

Your rights and obligations in the Territory under a Development Agreement are distinct and separate from your rights and obligations in a Protected Area under a Franchise Agreement. If your Development Agreement expires or is terminated, your only remaining territorial rights will be those territorial rights in Protected Areas under any then-existing Franchise Agreements.

You may not actively solicit or accept business from consumers located outside your Territory through any method of distribution, including alternative channels such as the Internet, catalog sales, telemarketing, or other direct marketing. There are no restrictions on our right to solicit or accept business from consumers inside the Territory without paying any compensation to you.

Except as described in this paragraph, we do not grant options, rights of first refusal or similar rights for the acquisition of additional franchises within the Territory or in contiguous areas. If you comply with the Development Agreement and each Franchise Agreement signed under it and you are otherwise financially and operationally qualified to develop and operate additional Espresso Bars in the Territory (as determined by us), then, for 5 years after the Development Agreement expires, we will offer you the first right to develop any additional Espresso Bars that may be developed in the Territory. We will give you written notice of the number of Espresso Bars to be developed and the development schedule. You will have 30 days after you receive the notice to exercise your right of first offer by (i) giving us written notice of your intent to exercise the right, (ii) paying us our then-current development fee, and (iii) executing our then-current form of development agreement.

If you fail to comply with the Development Schedule, or otherwise materially default under the Development Agreement, then we may (in addition to our other remedies) terminate or modify your territorial rights, reduce the area of territorial rights, or reduce the number of Espresso Bars that you may establish. Except as described in this paragraph, continuation of any territorial exclusivity does not depend on the achievement of a certain sales volume, market penetration, or other contingency, and we may not alter your Territory.

13. TRADEMARKS

The Franchise Agreement gives you a license to operate an Aroma Espresso Bar under the mark “Aroma Espresso Bar” and to use any future trademarks or service marks we authorize. The Development Agreement does not grant you any right to use, or any interest in, the Marks.

Our Parent has registered the following service marks with the United States Patent and Trademark Office (“USPTO”) and intends to renew the registrations and to file all appropriate affidavits at the appropriate times required by law.

Mark	Register	Registration Number	Registration Date
AROMA ESPRESSO BAR	Principal	3201335	January 23, 2007
AROMA ESPRESSO BAR	Principal	3314330	October 16, 2007
AROMA ESPRESSO BAR	Principal	3314329	October 16, 2007

Mark	Register	Registration Number	Registration Date
AROMA ESPRESSO BAR & Design	Principal	3862503	October 19, 2010
AROMA ESPRESSO BAR	Principal	5687226	February 26, 2019
AROMACARD	Principal	4135371	May 1, 2012
ICE AROMA	Principal	4135378	May 1, 2012

There is no presently effective determination of the USPTO, the trademark administrator of any state, or any court, and no pending interference, opposition or cancellation proceeding or any pending material litigation involving the trademarks, service marks, trade names, logotypes, or other commercial symbols licensed to us.

Aroma USA is a party to a 2005 co-existence agreement with Schierl Sales Corp. (“Schierl”), in which Schierl consented to the registration and use of the “AROMA ESPRESSO BAR” mark in the United States, excluding the states of Wisconsin, Minnesota, Michigan, Iowa and Illinois (except the Chicago metropolitan area) (the “Excluded Region”) by Aroma USA, its licensee and affiliates, and Aroma USA agreed not to use or allow its licensees or affiliates to use the Aroma Espresso Bar Mark in the Excluded Region. Aroma USA also consented to Schierl’s use and registration of the “AROMA BEVERAGE BAR” mark (U.S. Reg. No. 3216295) and (U.S. Reg. No. 31499458). Schierl owns and operates 22 convenience stores throughout Wisconsin and Michigan under the name “The Store.” The AROMA BEVERAGE BAR mark is used in The Store locations. Other than described above, we are currently unaware of any other use of such marks by Schierl.

We are also aware that the mark AROMA BAKERY CAFÉ was registered with the USPTO on May 1, 2012. The AROMA BAKERY CAFÉ mark is primarily used in connection with the operation of two bakery restaurants located in Los Angeles, California and Encino, California. The owners of the AROMA BAKERY CAFÉ mark allege that the mark was first used on January 4, 2005, which predates the first use of our marks. Because of the differences between the marks, the types of restaurants and goods and services, we do not believe the use of AROMA BAKERY CAFÉ will be confused with our Marks or vice versa.

Except for the uses described in the proceeding paragraphs, we are not aware of superior prior rights or infringing uses that could materially affect your use of the Marks.

Our right to the Marks is derived from an exclusive, perpetual license between us and our Parent (the “Intercompany License Agreement”). The Intercompany License Agreement grants us the right to use the Marks for the purpose of licensing it to our franchisees and fulfilling our obligations under the Franchise Agreement. Either party may terminate the license if the other party materially breaches the License Agreement and does not cure the breach within 60 days after notice or the other party does not make reasonable good faith efforts to remedy a breach that will take longer than 60 days to cure. Parent may terminate the Intercompany License Agreement immediately by providing notice to us, if we file for bankruptcy or a petition for bankruptcy is filed, a receiver is appointed to administer our assets, we are subject to government action that substantially impairs our operations, we elect to dissolve, or make an assignment for the benefit of our creditors. Except as described above, we know of no agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

We are not obligated to protect your rights to use the Marks or to protect you against claims of

infringement or unfair competition. We are not obligated to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the Marks if the proceeding is resolved unfavorable to you.

You must promptly 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 Owners 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 sign all instruments and documents and give us any assistance that, in our 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 not use any of the Marks as part of your corporate or other name. 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 sign 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 Owners 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.

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.

14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or pending patent applications material to the franchise. We claim copyrights that are material to our business, and we claim proprietary rights and common law copyrights to the confidential information contained in the Manual. The Manual is described in Item 11.

We also claim common law copyrights on operational materials, certain recipes, and on other proprietary materials specifically associated with the System, including the proprietary advertisements, all materials presented to prospective customers, printed materials, and forms associated with the operation of an Espresso Bar. The Manual and other proprietary materials have not been registered with any copyright office. Item 11 describes limitations on the use of the Manual by you and your employees. You must also promptly tell us when you learn about unauthorized use of this proprietary information. We are not obligated to take any action but will respond to this information as it deems appropriate. We will not indemnify you for losses brought by a third party concerning your use of this information.

There is no presently effective determination of the U.S. Copyright Office (Library of Congress) or any court affecting our copyrights. There is no currently effective agreement that limits our right to use and/or license our copyrights. We are not obligated by the Franchise Agreement, or otherwise, to protect any rights you have to use the copyrights. We have no actual knowledge of any infringements that could materially affect the ownership, use or licensing of the copyrights.

We treat all of this information as trade secrets and you must treat any of this information we communicate to you confidentially. You and your owners must agree not to communicate or use our confidential information for the benefit of anyone else during and after the term of the Franchise and Development Agreement. You and your owners must also agree not to use our confidential information at

all after the Franchise Agreement terminates or expires. You and your owners can give this confidential information only to your employees who need it to operate your Espresso Bar.

If you or your owners develop any new concept, process or improvement in the operation or promotion of your Espresso Bar, you must promptly notify us and give us all necessary information about the new process or improvement, without compensation. You and your owners agree that any of these concepts, processes or improvements will become our property, and we may use or disclose them to other franchisees, as we determine appropriate.

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

The Franchise and Development Agreements require you to designate a “Principal Owner”. Your Principal Owner is the main individual responsible for your business. If you are an individual, you will be the Principal Owner. If you are not an individual, you must designate someone who meets our requirements and whom we approve to be your Principal Owner. The Principal Owner under any Development Agreement must also be the Principal Owner under each Franchise Agreement executed under the Development Agreement unless we agree otherwise.

Under a Franchise Agreement, the Principal Owner must devote full time and best efforts to the day-to-day supervision of the Espresso Bar. If you sign a Development Agreement, you must also appoint for each Espresso Bar a qualified “General Manager” whom we approve. Each General Manager will be to be responsible for the day-to-day operations of each Espresso Bar you establish. The General Manager must invest and have an ownership interest in the developer or in the approved subsidiary of the developer that enters into the Franchise Agreement for the Espresso Bar.

You must notify us promptly if your Principal Owner or a General Manager cannot continue, or no longer qualifies, to serve in that capacity. You will have 30 days from the date of the notice to take corrective action. During that 30-day period, you must provide for interim management of your operations in compliance with the your Agreement(s).

We may require your current and future Owners (including your Principal Owner and any General Manager) to sign a Guarantee and Assumption Agreement (“Guarantee”), guaranteeing your performance and binding themselves individually to certain provisions of the Franchise Agreement and any applicable Development Agreement. We may also require those of your Owners who are not required to sign the Guarantee to agree to comply with certain other provisions of the Franchise and Development Agreements, like the provisions that restrict transfers of ownership interests. If you sublease the premises of the Espresso Bar from us or our affiliate under a Sublease Agreement, we may also require certain of your Owners to sign a Sublease Guarantee, guaranteeing the payment and performance of your obligations under the Sublease.

We may also require you to designate a sufficient number of other managerial personnel who meet our qualifications to assist in the operation of the Espresso Bar (“Managers”). Your Managers must devote their full time and best efforts to the operation of the Espresso Bar and may not engage in any other business without our written consent. At our request, you must have your Managers and any other Espresso Bar personnel we require sign confidentiality covenants and/or covenants not to compete in a form we approve. We must be named a third party beneficiary of any such agreements, with the independent right to enforce them, directly or through any area representative we have appointed for your area.

16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

All products you use or sell at the Espresso Bar must conform to our standards and specifications. These are described in our Manuals and other writings. You must not deviate from our standards and specifications unless we first give you our written consent. You must also comply with all applicable laws and regulations and secure all appropriate governmental approvals for the Espresso Bar.

You must offer and sell all menu items, products and services we require. You must sell only the menu items, products and services that we have expressly approved in writing. You must stop selling any menu items, products or services that we disapprove in writing. You must prepare all menu items using the procedures for preparation contained in our Manuals or other written instructions. You must not use or offer nonconforming items, unless we first give you our written consent. You must open and operate the Espresso Bar during the hours we specify in the Manual or otherwise in writing.

You may not offer any of the products or services offered by Aroma Espresso Bars at wholesale. You may not offer catering or delivery services at or from your Espresso Bar unless we authorize you to do so in writing, and then, only in accordance with our requirements and only within the Protected Area.

You may not advertise, promote, post or list information relating to the Espresso Bar on the Internet (through the creation of a Website or otherwise), unless we decide to include information about your Espresso Bar on our Website.

We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices you may charge for products or services.

We do not impose any other restrictions in the Franchise Agreement or otherwise on the goods or services that you may offer or sell or the customers to whom you may offer or sell.

17. RENEWAL, TERMINATION, TRANSFER & DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement, Development Agreement and Sublease Agreement. You should read these provisions in the agreements attached to this disclosure document.

DA:	Development Agreement
FA:	Franchise Agreement
SL:	Sublease Agreement

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise, Development, and Sublease Agreement	Summary
a. Length of the franchise term	FA: Section III.A DA: Section IV. SL: Article 2.	FA: 10 year initial term. DA: The completion of your development obligations or midnight on the last day of the Development Schedule, whichever is first. SL: The term begins upon execution of the Sublease and ends 1 day prior to the expiration or termination of the master lease.
b. Renewal or extension of the term	FA: Section III.B. DA: Section III.C.(3) SL: Not applicable	FA: The Franchise Agreement may not be renewed. In the past we have included renewal rights in the franchise agreements of franchisees in certain circumstances, and we may do so in the future, in our sole discretion. DA: We do not grant extensions or any renewal rights. However, we offer you a first right to develop any additional Espresso Bars that may be developed in the Territory within a 5-year period after the expiration of the Development Agreement SL: Not applicable
c. Requirements for franchisee or developer to renew or extend	FA: Not applicable DA: Section III.C.(3) SL: Not applicable	FA: Not applicable. If we do include renewal rights in your Franchise Agreement, your renewal right will permit you to remain as a franchisee after the initial term of your Franchise Agreement expires. However, to remain a franchisee, you must meet all required conditions to renewal including signing our then-current form of franchise agreement, which may be materially different than the form attached to this disclosure document. DA: We do not grant extensions or renewal rights. Your first right to conduct additional development after the Development Agreement expires requires that: you comply with your obligations under the Development Agreement and each Franchise Agreement; you are financially and operationally qualified; and you give us written notice, sign our current development agreement and pay the development fee. SL: Not applicable

Provision	Section in Franchise, Development, and Sublease Agreement	Summary
d. Termination by franchisee	FA: Section V.A.(2) DA: Not applicable SL: Not applicable	FA: If we fail to acquire a site for the Espresso Bar and offer you a Sublease as provided in the Franchise Agreement and do not cure within 30 days after receiving written notice from you or if we fail to propose a site for the Espresso Bar to you within 12 months after the effective date of the Franchise Agreement. DA: Not applicable SL: Not applicable
e. Termination by franchisor without cause	FA: Not applicable DA: Not applicable SL: Not applicable	FA: Not applicable DA: Not applicable SL: Not applicable
f. Termination by franchisor with “cause”	FA: Section XVII. DA: Sections VII.E. and VIII.D. SL: Sections 5.2, 9.1, and 10.3	FA: We may terminate on your default. DA: We may terminate the Development Agreement immediately upon your insolvency and other related events or if you, your owners, and/or your employees are in violation of any antiterrorism laws. We may terminate the Development Agreement, modify your territorial rights, or alter your development schedule if you commit a default listed in Section VIII. No default under the Development Agreement constitutes a default under any Franchise Agreement, unless the default is also a default under the terms of such Franchise Agreement. (See Section VIII.E.(1)) SL: We may terminate on your default and/or as a result of a taking or condemnation.
g. “Cause” defined – curable defaults	FA: Section XVII.C DA: Section VIII.C. SL: Sections 5.3, 9.1.1, 9.1.3, and 9.1.4	FA: For any default except those specified as noncurable you have 30 days to cure (5 days for failure to submit a required report or pay monies; 24 hours for misuse of the Marks; 7 days if you fail to obtain the required insurance coverages; 10 days if you fail to comply with the noncompetition covenants). DA: Failure to acquire the interest of a Principal Owner subject to a Criminal Determination within 90 days; failure to comply with Development Schedule and cure within 30 days after notice; failure to pay monies owed us or our affiliates and no cure within 5 days after notice; failure to designate a replacement Principal Owner or General Manager within 30 days of a vacancy or to cure a management training failure within 90 days; failure to get signed confidentiality and noncompetition covenants within 30 days after a request; misuse of the Marks and

Provision	Section in Franchise, Development, and Sublease Agreement	Summary
		failure to cure within 24 hours after notice; failure to cure any default under a Franchise Agreement within the applicable cure period; or failure to comply with other terms of the Development Agreement and no cure within 30 days after notice. We may terminate your Development Agreement if you or your affiliates commit a material default under any agreement with us or our affiliates and fail to timely cure such default. No default under the Development Agreement constitutes a default under any Franchise Agreement, unless the default is also a default under the terms of such Franchise Agreement. (See Section VIII.E.(1)) SL: For any default except those specified as noncurable you have 3 days after written notice to cure; for any material breach of any other agreement between you and us or affiliates, you must cure the default within the time period specified in the applicable agreement.
h. “Cause” defined – non-curable defaults	FA: Sections XVII.A. and XVII.B. DA: Sections VIII.A. and B. SL: Sections 9.1.2. and 9.1.5	FA: Insolvency; general assignment for benefit of creditors; bankruptcy; receivership; final judgment remains unsatisfied for 30 days or more; dissolution; execution of levy or sale after levy; foreclosure proceedings not dismissed within 30 days; operation of Espresso Bar at location other than the Franchise Location; if you fail to construct and open the Espresso Bar as required; cease to operate or otherwise abandon the Espresso Bar or forfeit the right to do business; lose right to occupy Franchise Location; termination of Sublease; conviction of certain crimes; threat to public health or safety; unauthorized transfer; failure to comply with certain confidentiality covenants; false records or submission of false reports; breach of any covenants or false representations; failure to comply with quality assurance program; default under any other franchise agreement and failure to cure; 3 events of default within any 12 month period, whether or not cured; assets, property or interests “blocked” under any terrorism laws or regulations or other violation of such laws or regulations. DA: Insolvency; bankruptcy; receivership; a final judgment remains unsatisfied; you are dissolved; execution is levied against your Espresso Bar; suit to foreclose is instituted and not dismissed within 30 days; your Espresso Bar property is sold after levy; assets, property or interests “blocked” under any terrorism laws or regulations or other violation of such laws or regulations; conviction of, or plea of <u>nolo contendere</u> to, certain crimes; a threat to public health or safety results from your operation of the Espresso Bar;

Provision	Section in Franchise, Development, and Sublease Agreement	Summary
		breach of material covenants; transfer of rights in violation of the Agreement; failure to comply with the in-term confidentiality and non-competition covenants; repeated material defaults whether or not the defaults have been cured. SL: Abandonment; termination of the Franchise Agreement.
i. Franchisee's obligations on termination/nonrenewal	FA: Section XVIII. DA: VIII.F. SL: Section 9.2	FA: Vacate the franchised location and cease to operate an Espresso Bar; cease to use the Marks and any confidential information associated with the System; cancel any registration containing the Marks; not use any imitation of the Marks; pay amounts due and our damages and enforcement costs; comply with confidentiality and non-competition covenants; return all Manuals and other proprietary materials; furnish list of advertising/sales promotion materials bearing the Marks; at our option, sell or assign us your rights in business telephone numbers, advertising and promotional materials, and furnishings equipment and terminate the Sublease; modify the appearance of the Espresso Bar. DA: Comply with confidentiality and noncompetition covenants; pay amounts owed and enforcement costs. SL: Pay outstanding amounts; surrender possession of the premises and all damages resulting from your default.
j. Assignment of contract by franchisor	FA: Section XIV.A. DA: IX.A. SL: Section 8.1	FA: We may transfer our rights without restriction. DA: We may transfer the Development Agreement or any of our rights without restriction. SL: We may transfer our rights without restriction.
k. "Transfer" by franchisee – defined	FA: Sections XIV.B. and XIV.C. DA: Section IX.B. SL: Section 8.1	FA: You must not transfer any direct or indirect interest in you, the Franchise Agreement or the assets of the franchised business without our consent. DA: You and your Owners cannot sell, assign, transfer, convey, give away, or otherwise dispose of any interest in the Development Agreement, your other assets, or you without our consent. SL: You must not transfer or sublet any part of the premises without consent.
l. Franchisor approval of transfer by franchisee	FA: Section XIV.B. and XIV.C. DA: Sections IX.B. and IX.C.	FA: We must consent and you must meet conditions before transferring. DA: You must obtain our consent and comply with certain conditions before transferring any interest.

Provision	Section in Franchise, Development, and Sublease Agreement	Summary
	SL: Section 8.1	SL: We must consent and you must meet conditions before transferring.
m. Conditions for franchisor approval of transfer	FA: Section XIV.B. and XIV.C. DA: Section IX.B. SL: Section 8.1	FA: Pay all amounts due; not be in default; execute a general release; pay transfer fee; remain liable for pre-transfer obligations; and if the Franchise Agreement has been signed under a Development Agreement, you must concurrently transfer to the same transferee such Development Agreement and all franchise agreements signed under such Development Agreement. Transferee must meet our criteria, complete required training, guaranty obligations; enter into then-current franchise agreement and upgrade the Espresso Bar; if there is a default in a secured party's interest in your assets, we may require, at our option, the secured party to substitute us as an obligor. DA: Pay all amounts due; no default; development of at least 50% of the Espresso Bars required under the development schedule at time of transfer; sign a general release (See Exhibit H); pay a transfer fee and expenses; remain liable for pre-transfer obligations and those that survive transfer; and you must concurrently transfer to the same transferee all franchise agreements signed under the Development Agreement. Transferee must meet our qualifications, complete training, assume Development Agreement obligations, and enter into new development agreement. SL: You must assign the Sublease to the same assignee upon your receipt of our consent.
n. Franchisor's right of first refusal to acquire franchisee's business	FA: Section XIV.D. DA: Section IX.D. SL: Not applicable	FA: On 30 days written notice, if you or an Owner desires to transfer any interest in the Franchise Agreement, Espresso Bar, or you, we have the option to purchase such interest being transferred on the same terms and conditions offered by a third party. DA: We have the option to purchase the interest being transferred on the same terms as those offered by a third party. SL: Not applicable

Provision	Section in Franchise, Development, and Sublease Agreement	Summary
o. Franchisor's option to purchase franchisee's business	FA: Sections XVIII.A.(8) and XVIII.B. DA: Not applicable SL: Not applicable.	Upon termination or expiration we have the option to purchase your advertising materials bearing the Marks at your cost. We have the option to terminate the Sublease for the Franchise Location and on 60 days written notice, we have the option to buy the assets of the Espresso Bar from you (subject to any rights of approval retained by the owner of the leasehold) at fair market value. DA: Not applicable SL: Not applicable
p. Death or disability of franchisee	FA: Section XIV.E. DA: Section IX. E. SL: Not applicable.	FA: On death or permanent disability of you or an Owner, the person's interest must be transferred to someone we approve within 6 months. DA: Your rights must be transferred to someone approved by us within 12 months after death or 6 months after notice of permanent disability. SL: Not applicable
q. Non-competition covenants during the term of the franchise	FA: Section X.C. DA: Section X.D.(1) SL: Not applicable.	FA: You may not engage or have an interest in or perform services for a competitive business; interfere with any of the business, customers, clients, contractors, vendors, suppliers, or patrons of any Espresso Bar. DA: Except for the Espresso Bar franchises that you operate under Franchise Agreements with us, you may not engage or have an interest in or perform services for a competitive business; interfere with any of the business, customers, clients, contractors, vendors, suppliers, or patrons of any Espresso Bar. SL: Not applicable
r. Non-competition covenants after the franchise is terminated or expires	FA: Section X.C.(2) DA: Section X.D.(2) SL: Not applicable	FA: For 2 years neither you nor your Affiliates or Owners will (i) have any direct interest in any competitive business located or operating at the Franchise Location, within the Protected Area, or within a 5 mile radius of the Franchise Location, the Protected Area or the location of any other Espresso Bar (ii) engage in any business transaction with our other franchisees, area representatives, or our preferred, approved or designated vendors or suppliers. DA: Except for the franchises that you operate under Franchise Agreements with us, for 2 years, you may not have an interest in any competing business located within your Territory or within a 5-mile radius of any other Espresso Bar. SL: Not applicable

Provision	Section in Franchise, Development, and Sublease Agreement	Summary
s. Modification of the agreement	FA: Section XX.O. DA: Section XVI. SL: Section 15.4	FA: Except for changes we can make unilaterally, changes require mutual agreement. You must comply with the Manuals as amended. DA: Except for those permitted to be made unilaterally by us, no change is binding unless mutually agreed upon. SL: Modifications to the Sublease require mutual agreement.
t. Integration/merger clause	FA: Section XX.Z. DA: Section XVI. SL: Section 9.7 and Article 14	FA: Only the terms of the Franchise Agreement, Development Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises made outside the disclosure document, Franchise Agreement, Development Agreement and other related written agreements may not be enforceable. We may not disclaim representations made in the disclosure document. DA: Only the terms of the Development Agreement, Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises made outside the disclosure document, Development Agreement, Franchise Agreement and other related written agreements may not be enforceable. SL: Certain provisions of the Franchise Agreement and Master Lease are incorporated into the Sublease.
u. Dispute resolution by arbitration or mediation	FA: Section XX.F. DA: Section XVII. SL: Section 9.7	FA: Unless otherwise provided, claims, controversies or disputes from or relating to the Franchise Agreement must be mediated. DA: Subject to certain exceptions, all disputes arising out of or relating to the Development Agreement must be submitted to mediation before being litigated. SL: For any actions or proceedings relating to unlawful detainer, non-payment of rent, or for any breach of this Sublease, we may proceed in any court of competent jurisdiction.
v. Choice of forum	FA: Sections XX.F. and XX.G. DA: XVII.B. SL: Section 9.7	FA: Except as otherwise required by applicable law, mediation and venue for litigation is New York, New York. DA: Unless contrary to applicable law, mediation and venue for litigation is New York, New York SL: Court of competent jurisdiction The Franchise and Development Agreements contain a number of provisions that may affect your legal rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See Franchise Agreement Sections XX. J., K., and L and Development Agreement Section XVII.E.(1), (2) and (3). We recommend that you carefully review all of these provisions, and the entire contract, with a lawyer.

Provision	Section in Franchise, Development, and Sublease Agreement	Summary
w. Choice of law	FA: Section XX.H. DA: Section XVII.C. SL: Section 9.7	FA: Except as otherwise required by applicable state law, the Franchise Agreement is to be interpreted and construed under New York law, except for New York choice of law rules and except that any law regulating the offer or sale of franchises, business opportunities, or similar interests or governing the relationship between franchisors and franchisees will not apply unless its jurisdictional requirements are met independently without reference to the governing law provision of the Franchise Agreement. DA: New York law, except for New York choice of law rules and except that any law regulating the offer or sale of franchises, business opportunities or similar interests or governing the relationship between franchisors and franchisees will not apply unless its jurisdictional requirements are met independently without reference to the governing law provision of the Development Agreement, or as otherwise required by applicable state law. SL: Same as Franchise Agreement.

A provision in the Franchise and Development Agreements which states that the agreement terminates upon your bankruptcy may not be enforceable under Title 11, USC Section 101.

18. PUBLIC FIGURES

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

19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

GROSS SALES AND CERTAIN COST INFORMATION (UNAUDITED) OF FRANCHISED AND COMPANY-OWNED AROMA ESPRESSO BARS FOR FISCAL YEAR 2022

This financial performance representation includes unaudited information relating to the Gross Sales and Certain Cost Information for 4 franchised Aroma Espresso Bars (the "Franchised Units") operating for the entire period from January 1, 2022 to December 31, 2022 (the "Reporting Period"). One of the Franchised Units are located in New Jersey. Three of the Franchised Units (two of which are

50% owned by Aroma USA) are located in the Miami, Florida metropolitan area (one of them opened in May 2021).

The Franchised Units represent 100% of all the franchised Aroma Espresso Bars that were open in the U.S. as of the end of the Reporting Period.

FRANCHISED UNITS

The information presented below is based on unaudited reports prepared by our franchisees and submitted to us. Except for the Miami area Franchised Units in which our affiliate owns a 50% interest, we have not audited or verified the accuracy of the reports.

NEW YORK AREA FRANCHISED UNITS	
	Unit #1
Gross Sales⁽¹⁾⁽²⁾	833,567
Cost of Sales⁽⁴⁾	261,971 1.42%
Labor Costs⁽⁵⁾	333,056 9.95%
Rent Costs⁽⁶⁾	91,815 11.01%

MIAMI AREA FRANCHISED UNITS⁽⁷⁾			
	Unit #1	Unit #2	Unit #3*
Gross Sales⁽¹⁾⁽²⁾	1,976,850	2,313,831	\$ 997,603
Certain Cost Information (Stated In Dollars and as a Percentage of Gross Sales)⁽³⁾			
Cost of Sales⁽⁴⁾	544,022 (27.51%)	678,915 (29.34%)	291,157 (29.88%)
Labor Costs⁽⁵⁾	690,411 (34.92%)	719,052 (31.07%)	\$ 378,326 (37.92%)
Rent Costs⁽⁶⁾	324,791 (16.42%)	265,071 (11.45%)	\$ 104,145 (10.43%)

. *Unit #3-started operating on May 01, 2021

Notes:

(1) Gross Sales has the meaning given to it in the Franchise Agreement and does not include (a) receipts from any vending machines or video games installed in the Espresso Bar, except for any amount representing a franchisee's share of those revenues, (b) sales taxes; (c) tips or gratuities; (d) returns to shippers or manufacturers; and (e) proceeds from isolated sales of trade fixtures. Gross Sales reflects historical revenue.

(2) Under the Franchise Agreement, you must pay us royalty fees equal to 7% of Gross Sales and you must currently contribute 1.5% of Gross Sales (maximum 2%) to the Aroma advertising fund. Royalty rates for franchisees that purchased their franchises earlier in our development may differ.

(3) In addition to the costs listed, you will incur other costs to operate the Aroma Espresso Bar, including the cost of repairs, maintenance and refurbishments, utilities, marketing, merchant fees, professional fees and insurance. The table also does not include any amount for depreciation and amortization, federal, state or local taxes, or any interest charge that you may incur if you finance any of the initial investment for the Aroma Espresso Bar.

(4) Cost of sales is mostly comprised of the cost of food, beverages and paper products. Our affiliate, Aroma Trade, supplies coffee and fresh or frozen dough for baked goods to Aroma Espresso Bars.

(5) Labor cost is comprised of store management salaries and bonuses, hourly team member payroll and training costs, and other payroll-related items.

(6) Rent costs include both fixed and variable portions of rent, as well as property taxes. Rent costs do not include other occupancy costs that may include, without limitation, insurance and common area maintenance charges. During the Reporting Period, one of the Miami area Franchised Units operated under leases with a related party, the rental rate was set at fair market value.

(7) These locations are operated by our affiliates.

Some outlets 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 such substantiation will be made available to you on reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. 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 Yoav Hecht, 20920 W Dixie Hwy, Aventura, FL 33180, (305) 705-2931, the Federal Trade Commission, and the appropriate state regulatory agencies.

20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years 2020 to 2022 ⁽¹⁾

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised ⁽²⁾	2020	5	3	-2
	2021	3	4	+1
	2022	4	4	0
Company- Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	5	3	-2
	2021	3	4	+1
	2022	4	4	0

Notes:

- (1) All numbers are as of our fiscal year end. Our fiscal year end is December 31.
(2) The Maryland Franchise Agreement was mutually terminated on September 24, 2020.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2020 to 2022 ⁽¹⁾

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Maryland	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

Notes:

- (1) All numbers are as of our fiscal year end. Our fiscal year end is December 31.

Table No. 3
Status of Franchised Outlets
For years 2020 to 2022 ⁽¹⁾

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termina- tions	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Opera- tions- Other Reasons	Col. 9 Outlets at End of the Year
Florida ⁽²⁾	2020	2	0	0	0	0	0	2
	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Maryland ⁽³⁾	2020	1	0	1	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
New York	2020	1	0	1	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
New Jersey	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Totals	2020	5	0	2	0	0	0	3
	2021	3	1	0	0	0	0	4
	2022	4	0	0	0	0	0	4

Notes:

- (1) All numbers are as of our fiscal year end. Our fiscal year end is December 31.
- (2) All franchised Aroma Espresso Bars now operating in Florida are operated by entities in which Aroma USA owns a 50% interest. One of those Aroma Espresso Bars closed in April 2019.
- (3) The Maryland Franchise Agreement was mutually terminated on September 24, 2020.

Table No. 4
Status of Company-Owned Outlets
For years 2020 to 2022 ⁽¹⁾

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
Florida ⁽²⁾	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
New York	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
Totals	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

Notes:

- (1) All numbers are as of our fiscal year end. Our fiscal year end is December 31.
- (2) As noted in Table No. 3 above, the Aroma Espresso Bars now operating in Florida are operated by entities in which Aroma USA owns a 50% interest. We have categorized these as franchised (not company-owned) Aroma Espresso Bars.

Table No. 5
Projected Openings As Of December 31, 2022

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlet In The Next Fiscal Year	Column 4 Projected New Company- Owned Outlet In the Next Fiscal Year
All States	0	0	0
Total	0	0	0

The name, business address, and business telephone number of each current franchisee on December 31, 2022 are listed on Exhibit C.

The name, city and state, and current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who has had a Franchise Agreement terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement or has left the system during the most recently completed fiscal year, or has not communicated with us within 10 weeks of the date of this disclosure document are listed on Exhibit D.

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

As of the date of this disclosure document, we are not offering any outlets we control that were previously owned by a franchisee. If we begin to offer any such outlet, specific information about the outlet will be provided to you in a supplement to this disclosure document.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

As of the date of this disclosure document, there are no franchisee organizations sponsored or endorsed by us and no independent franchisee organizations have asked to be included in this disclosure

document.

21. FINANCIAL STATEMENTS

Attached as Exhibit A are our audited financial statements as of December 31, 2019, December 31, 2021, and December 31, 2022.

22. CONTRACTS

Attached to this disclosure document are the following contracts and their attachments:

1. Franchise Agreement (with attachments and state amendments).
2. Development Agreement (with attachments and state amendments).
3. Form of Sublease
4. Form of General Release

23. RECEIPTS

Attached as the last 2 pages of this disclosure document are 2 copies of the Receipt to be signed by you to acknowledge your receipt of a copy of this disclosure document. After you have signed both copies, return 1 to us and maintain the other for your records.

EXHIBIT A

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

AROMA FRANCHISE COMPANY, INC.
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2022

**AROMA FRANCHISE COMPANY, INC.
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2022**

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Jerusalem, May 4, 2023

Independent Auditors' Report

To the Board of Directors
Aroma Franchise Company, Inc.

We have audited the accompanying financial statements of Aroma Franchise Company, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021 and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



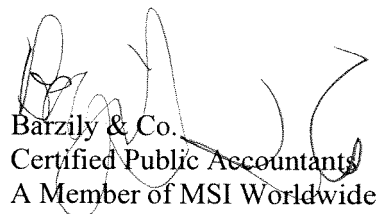
Basis for Qualified Opinion

As discussed in Note 3 to the financial statements, the Company reports its investment in Aroma Global Ltd. ("Global"), a wholly owned subsidiary, at cost less allowance for impairment. In our opinion, accounting principles generally accepted in the United States of America require that all majority-owned subsidiaries be accounted for as consolidated subsidiaries. If the financial statements of Aroma Global Ltd. had been consolidated with those of Aroma Franchise Company, Inc., total assets and total liabilities would be increased by approximately \$ 1.7 million as of December 31, 2022, and revenues and expenses would be decreased by \$ 0.8 million for the year then ended.

Qualified Opinion

In our opinion, except for the effects of not consolidating all majority-owned subsidiaries, as discussed in the abovementioned Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Aroma Franchise Company, Inc. as of December 31, 2022 and 2021 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Without qualifying our opinion, we wish to draw attention to a legal proceeding against the Company amounting to 10M Canadian dollars, which is currently the subject of an Ontario, Canada court proceeding (see note 7). If the award will be granted and will actually capable of being enforced against the Company, it raises significant doubts as to the ability of the Company to continue operating as a "going concern" without support from the parent company.



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AROMA FRANCHISE COMPANY, INC.
STATEMENTS OF FINANCIAL POSITION

		December 31,	
		<u>2022</u>	<u>2021</u>
ASSETS			
Current Assets:			
Cash	\$	8,870	\$ 13,398
Accounts receivable		81,344	53,963
Accounts receivable from related parties		63,374	36,122
Other current assets		47,526	21,681
Security for cost		75,786	-
Due from related parties		-	1,731,644
Total current assets		276,900	1,856,808
Investments and Long -Term Receivable Balances:			
Due from related parties		1,431,353	-
Long-term loans		247,646	227,646
Property and equipment, net		-	-
		1,678,999	227,646
Total assets	\$	1,955,899	\$ 2,084,454
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable	\$	27,743	\$ 38,815
Other current liabilities		70,756	69,482
Provision for legal disputes		6,100,000	6,100,000
Deferred revenue - short term		10,792	13,500
Total current liabilities		6,209,291	6,221,797
Non-Current Liabilities:			
Due to related parties		476,613	477,022
Deferred revenue - long term		-	10,792
Total non-current liabilities		476,613	487,814
Total liabilities		6,685,904	6,709,611
Stockholders' equity:			
Common shares (\$0 par value; 200 shares authorized; 10 shares issued and outstanding)		-	-
Retained earnings (Accumulated deficit)		(4,730,005)	(4,625,157)
Total stockholders' equity		(4,730,005)	(4,625,157)
Total liabilities and stockholders' equity	\$	1,955,899	\$ 2,084,454

The accompanying notes are an integral part of the financial statements.

AROMA FRANCHISE COMPANY, INC.
STATEMENTS OF OPERATIONS

	For the Year Ended December 31,	
	2022	2021
Revenues:		
Royalties	\$ 229,093	\$ 218,909
Franchise fees	13,500	13,500
Total revenues	242,593	232,409
General and administrative expenses	(347,391)	(643,032)
Losses before other expenses	(104,798)	(410,623)
Provision for legal disputes	-	(6,100,000)
Losses before taxes	(104,798)	(6,510,623)
Tax expense	(50)	(50)
Losses	\$ (104,848)	\$ (6,510,673)

The accompanying notes are an integral part of the financial statements.

AROMA FRANCHISE COMPANY, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	<u>Common Stock</u>			Retained Earnings (Accumulated Deficit)	
	<u>Shares</u>	<u>Amount</u>			<u>Total</u>
Balance as of January 1, 2021	10	\$ -	\$	1,885,516	\$ 1,885,516
Losses	-	-		(6,510,673)	(6,510,673)
Balance as of December 31, 2021	10	\$ -	\$	(4,625,157)	\$ (4,625,157)
Losses	-	-		(104,848)	(104,848)
Balance as of December 31, 2022	<u>10</u>	<u>\$ -</u>	<u>\$</u>	<u>(4,730,005)</u>	<u>\$ (4,730,005)</u>

The accompanying notes are an integral part of the financial statements.

AROMA FRANCHISE COMPANY, INC.
STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	2022	2021
Cash Flows from Operating Activities		
Losses	\$ (104,848)	\$ (6,510,673)
Adjustments to reconcile losses to net cash used in operating activities:		
Change in operating assets and liabilities:		
Accounts receivable	(27,381)	(13,300)
Accounts receivable from related parties	(27,252)	22,881
Other current assets and security for cost	(101,631)	(11,212)
Accounts payable	(11,072)	30,465
Provision for legal disputes	-	6,100,000
Other current liabilities	1,274	(50,452)
Deferred revenue	(13,500)	(13,500)
Net cash used in operating activities	(284,410)	(445,791)
Cash Flows from Financing Activities		
Loan rendered to a franchisee	(20,000)	(27,646)
Due to related parties, net	299,882	484,194
Net cash provided by financing activities	279,882	456,548
Increase (decrease) in cash	(4,528)	10,757
Cash at the beginning of the year	13,398	2,641
Cash at the end of the year	\$ 8,870	\$ 13,398
Additional Information		
Cash paid for income taxes	\$ 50	\$ 50

The accompanying notes are an integral part of the financial statements.

AROMA FRANCHISE COMPANY, INC. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

Aroma Franchise Company, Inc. ("the Company") was incorporated on January 5, 2010 in the State of New York. The Company is a wholly-owned subsidiary of Aroma USA, Inc. ("USA"), a Company that is a wholly-owned subsidiary of Shefa Franchises Limited ("Shefa"), an Israeli Company that has developed a chain of cafes in Israel operating under the name "Aroma Espresso Bar" and is the owner of trademarks and other relevant intellectual property.

USA was authorized by Shefa to grant master franchises and franchises in the United States and Canada for Espresso bar and café operations under the name "Aroma Espresso Bar". The amount of royalties to be paid to Shefa with respect to the license granted was determined with a transfer pricing study prepared by Shefa which is updated periodically.

In March 2007, USA signed a Master Franchise Agreement with Aroma Espresso Bar Canada Inc. ("Aroma Canada"), for Espresso bar and café operations under the name "Aroma Espresso Bar" in Canada. In January 2010 and effective January 1, 2010, USA transferred and assigned to the Company all of its rights and interest under its Master Franchise Agreement in Canada and its franchise agreements in the United States for Espresso bar and café operations under the name "Aroma Espresso Bar". In May 2019 the Master Franchise Agreement with Aroma Canada was terminated, following a breach of the Master Franchise Agreement by Aroma Canada. The Company incorporated a new, wholly owned subsidiary in Canada, Aroma Global Ltd ("Global") (see note 3), and Global was granted the right to be franchisor to the franchise system in Canada. Following the termination of the franchise agreement, arbitral proceedings were commenced, resulting in an award that remains subject to challenge, as discussed in greater detail in Note 7.

All franchises agreements formerly signed between Aroma Canada and its Canadian franchisees were assumed by the Company and subsequently assigned to Global. The amount of royalties to be paid to the Company with respect to the license granted was determined with transfer pricing study.

As of the day of the report, forty-one locations are operating under the name of "Aroma Espresso Bar", including two operated by Café Collins 16 LLC ("Café Collins 16"), and Café Miami Gardens LLC ("Café Miami Gardens"), related parties, two franchised restaurants with locations in the US and thirty-seven in Canada.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation. The financial statements are prepared on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles ("GAAP").

Financial statements in U.S. dollars. The Company's financial statements are prepared in U.S. dollars, which is the primary currency of its economic environment.

Cash and cash equivalents. Cash and cash equivalents are comprised of cash, demand deposits and interest-bearing time deposits in banks with original maturities not exceeding three months from the date of deposit. The Company maintains its cash accounts in one financial institution. Cash balance located in the bank is insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. The Company has \$0 of uninsured cash balance as of December 31, 2022 and 2021.

Accounts Receivable. Accounts receivable are carried at net realizable value. Estimates are made as to the Company's ability to collect outstanding accounts receivable, taking into consideration the amount, customers' financial condition and age of the debt. The Company ascertains the net realizable value of amounts owed and provides an allowance when collection becomes doubtful. Accounts receivable are expected to be collected in the normal course of business. The Company recorded \$87,947 and \$191,410 allowances as of December 31, 2022 and 2021, respectively.

AROMA FRANCHISE COMPANY, INC. NOTES TO THE FINANCIAL STATEMENTS

Concentration of Credit Risk. The financial instrument that potentially subjects the Company to concentration of credit risk is accounts receivable. There were three customers in 2022 and 2021 which accounted for approximately 98% and 97% of the total accounts receivable balance at December 31, 2022 and 2021, respectively. There were two customers in 2022 and 2021 that each accounted for more than 10% of our net royalty revenue. The aggregated totals of net royalty revenue in these periods were approximately 94% and 95%, respectively.

Property and Equipment. Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The annual depreciation rates are:	<u>%</u>
Computer	30%
Web Site	20%

Income taxes. The Company is taxed as a Corporation, on a consolidated basis with its parent company. No provision or liability for Federal, State and local income taxes has been reflected in the financial statements of the Company.

Deferred income taxes. Deferred tax assets and liabilities are determined based on temporary differences between financial reporting and the tax bases of assets and liabilities. Deferred tax assets are also recognized for tax of net operating loss carryforwards. These deferred tax assets and liabilities are measured using the enacted tax rates and laws that are expected to be in effect when such amounts are expected to reverse or be utilized. The realization of total deferred tax assets is contingent upon the generation of future taxable income. Valuation allowances are provided to reduce such deferred tax assets to amounts more likely than not to be ultimately realized. As of December 31, 2022 and 2021 the Company did not have a deferred tax asset or liability.

Revenue recognition. Revenue earned includes initial franchise fees, continuing service fees, and royalties. Revenues from initial franchise fees are included with the usage rights, in accordance with the franchise period (the straight -line method). Continuing service fees and royalties will be recognized in the period in which they are earned. In May 2014, the FASB issued guidance codified in Accounting Standard Codification (“ASC”) 606, “Revenue Recognition – Revenue from Contracts with Customers,” which amends the guidance in former ASC 605, “Revenue Recognition.” The core principle of the Standard is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. The Standard calls for additional disclosures around the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Advertising expense. Advertising costs are expensed as incurred. As part of the agreement between the Company and the US based franchisees, a 1.5% fee based on the gross sales is paid to the company to be used for advertising. Total advertising expenses for the years ended December 31, 2022 and 2021 were \$115,238 and \$148,177, respectively. Total advertising fees collected from franchisees and Café Collins 16 and Café Miami Garden in the years ended December 31, 2022 and 2021, were \$91,993 and \$81,244, respectively.

Use of estimates in the preparation of the financial statements. The preparation of financial statements in conformity with generally accepted accounting principles 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 dates of the financial statements, and the reported amounts of revenues and expenses, during the reporting periods. Actual results could differ from those estimates.

Fair value accounting. The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

AROMA FRANCHISE COMPANY, INC.
NOTES TO THE FINANCIAL STATEMENTS

Cash, accounts receivables, trade payables, accrued expenses and other liabilities: The carrying amounts reported in the balance sheets for these items approximates fair value because of the short maturity of these instruments.

Loans from related parties: The carrying value of such loans approximates book value as such instruments are at market rates currently available to the Company.

NOTE 3 – UNCONSOLIDATED SUBSIDIARY

In May 2019, the Company incorporated a newly formed wholly owned subsidiary in Canada, Aroma Global Ltd. (“Global”). All franchise agreements formerly signed between Aroma Canada, the Company’s Canadian Master Franchisee, and the Canadian franchisees were assigned to Global. For the year ended December 31, 2022 Global reported approximately \$ 0.8 million of losses, that is not a final amount (For the year ended December 31, 2021 - \$4 thousands of profit). These losses were financed directly by the Company’s Ultimate Portent Company. The financial statements of Global were not consolidated with the Company’s financial statements but included at cost less allowance for impairment.

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following as of:

	December 31,	
	2022	2021
Computer and software	\$ 4,980	\$ 4,980
Less: accumulated depreciation	(4,980)	(4,980)
Total property and equipment, net	\$ -	\$ -

For the years ended December 31, 2022 and 2021, depreciation expense was \$0.

NOTE 5 - RELATED PARTIES

The Company recorded the following related party transactions:

	December 31,	
	2022	2021
Current Assets:		
Accounts receivable from related parties (5.1)	\$ 63,374	\$ 36,122
Due from related parties (5.2)	\$ -	\$ 1,665,256
Due from subsidiary (5.5)	\$ -	\$ 66,388
Long -Term Receivable Balances:		
Due from related parties (5.2)	\$ 1,368,895	\$ -
Due from subsidiary (5.5)	\$ 62,458	\$ -
Current Liabilities:		
Due to related parties (5.2)	\$ 476,613	\$ 477,022

AROMA FRANCHISE COMPANY, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - RELATED PARTIES (cont.):

	For the Year Ended December 31,			
	2022		2021	
Revenue:				
Revenues - royalties (5.3)	\$	214,992	\$	208,398
General and administrative expenses:				
Participation in payroll (5.4)	\$	(90,000)	\$	(90,000)

5.1 As of December 31, 2022 and 2021, accounts receivable from related parties consists of amounts owed by Café Miami Gardens and Café Collins 16 for advertising and royalty fees.

5.2 As of December 31, 2022 and 2021, the Company recorded receivables in the net amounts of \$892,281 and \$1,188,234, respectively, for expenses paid on behalf of USA and related parties and cash transfers for funding purposes.

5.3 In the years ended December 31, 2022 and 2021, the Company earned royalty income from Café Miami Gardens and Café Collins 16, related companies.

5.4 The Company is reimbursed for payroll expenses paid on behalf of Café Miami Gardens and Café Collins 16. The Company allocated \$90,000 to these locations in 2022 and 2021.

5.5 As of December 31, 2022 and 2021, the Company recorded a receivable of \$62,458 and \$66,388, respectively, from Global. It is presented as a part of due from subsidiary.

NOTE 6 - EQUITY:

The Company has 200 shares authorized of non-par value and has 10 shares issued and outstanding as of December 31, 2022 and 2021.

NOTE 7 – LEGAL DISPUTES AND COMMITMENTS:

- a. Aroma Espresso Bar Canada Inc. ("Aroma Canada") is the former master franchisee of Aroma Espresso Bars in Canada. It operated under a Master Franchise Agreement ("MFA") between Aroma Canada and the Company. On April 16, 2019, the Company notified Aroma Canada that Aroma Canada was in breach of the MFA and that the Company would terminate the MFA if Aroma Canada failed to remedy the breaches within 30 days (the "Termination Notice"). The Company terminated the MFA effective May 17, 2019 and assumed Aroma Canada's obligations under the existing sub-franchise agreements. On May 8, 2019, Aroma Canada and two of its shareholders (collectively, "Claimants") filed with the ADR Institute of Canada a Notice of Request to Arbitrate (the "Notice") asserting certain claims against the Company and various affiliated companies and two individuals (collectively, "Respondents"). Claimants alleged that the Company breached the MFA by requiring Aroma Canada and the Canadian franchisees to purchase coffee and pastries from an affiliate of the Company and by not considering an alternate supplier. They further alleged that the actions of the Respondents were oppressive and unfairly prejudicial to Aroma Canada and that the Company had breached its duty of fair dealing. Claimants sought, among other things: damages in the amount of Cdn\$50,000,000.

AROMA FRANCHISE COMPANY, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – LEGAL DISPUTES AND COMMITMENTS (cont.):

On June 10, 2019, Respondents filed their response to Claimants' Notice denying the allegations in the Notice and asserting counterclaims against the Claimants for, among other things, multiple breaches of the MFA, including violations of the supply provisions, claiming damages of approximately Cdn\$10,000,000.

The matter was heard by an arbitrator and the hearing consisted of 19 days of evidence in July and August, 2021, followed by two days of oral argument in September, 2021. On January 11, 2022, the arbitrator released his award (the "Award"), subject to an application to set the Award aside that the Respondents brought before the Ontario Superior Court of Justice. The Award declared the following relief: "a. A declaration that Aroma Franchise wrongfully terminated the MFA; b. That Aroma Franchise pay Aroma Canada the sum of \$10,000,000 as damages; c. That Aroma Franchise pay to Aroma Canada damages pursuant to the Act in the amount of \$200,000; d. The claim for fraudulent conveyance is dismissed; e. The claims for oppression by all parties are dismissed; f. That Aroma Canada pay Aroma Franchise \$69,000 for unpaid royalties; g. That all claims in the counterclaim other than the award in sub-paragraph (e) are dismissed. h. The issues of costs and interest are reserved for further order after submissions by the parties on a schedule to be agreed by the parties or set by me."

The Respondents' application to set aside the Award, among other things, contended that, at the time the Award was delivered, the arbitrator had a 15-month undisclosed financial relationship with counsel for the Claimants that gave rise to justifiable doubts as to his impartiality or independence. The Respondents also contended that the Award contains multiple flaws that render it subject to being set aside by the Ontario courts.

On March 20, 2023, A decision was given by the Judge, setting aside the Award and an ancillary award that had awarded the Claimants interest and legal costs, finding that: "circumstances exist that give rise to a reasonable apprehension of bias". On April 18, 2023 the Claimants sought to appeal the decision. This appeal will take several months at least to be heard.

Solely as a precaution and without any admission, the Company had decided to set aside 6.1M US dollars (constituting 77.5% of the awarded amount since the parent company holds 22.5% of the shares of Aroma Canada) to cover the possible outcome of the award given against the Company.

- b. As of December 31, 2022, and 2021, the Company has no lease obligations.

NOTE 8 - SUBSEQUENT EVENTS:

The Company has evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through May 4, 2023, the date on which the financial statements were available to be issued and has indicated that no material subsequent events affecting the financial statements existed as of that date.

AROMA FRANCHISE COMPANY, INC.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021

**AROMA FRANCHISE COMPANY, INC.
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021**

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Jerusalem, June 15, 2022

Independent Auditors' Report

To the Board of Directors
Aroma Franchise Company, Inc.

We have audited the accompanying financial statements of Aroma Franchise Company, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020 and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



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www.barzily.co.il

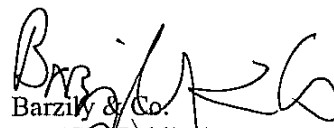
Basis for Qualified Opinion

As discussed in Note 3 to the financial statements, the Company reports its investment in Aroma Global Ltd. ("Global"), a wholly owned subsidiary, at cost less allowance for impairment. In our opinion, accounting principles generally accepted in the United States of America require that all majority-owned subsidiaries be accounted for as consolidated subsidiaries. If the financial statements of Aroma Global Ltd. had been consolidated with those of Aroma Franchise Company, Inc., total assets and total liabilities would be increased by approximately \$ 0.7 million as of December 31, 2021, and revenues and expenses would be decreased by \$ 1.2 million for the year then ended.

Qualified Opinion

In our opinion, except for the effects of not consolidating all majority-owned subsidiaries, as discussed in the abovementioned Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Aroma Franchise Company, Inc. as of December 31, 2021 and 2020 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Without qualifying our opinion we wish to draw attention to an award given against the company amounting to 10M Canadian dollars, which is currently the subject of an Ontario, Canada court proceeding to have the award set aside. If the award is not set aside and is actually capable of being enforced against the company, it raises significant doubts as to the ability of the company to continue operating as a going concern without support from parent company (see note 6).


Barzily & Co.
Certified Public Accountants
A Member of MSI Worldwide



AROMA FRANCHISE COMPANY, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2021	2020
ASSETS		
Current Assets:		
Cash	\$ 13,398	\$ 2,641
Accounts receivable	53,963	40,663
Accounts receivable from related parties	36,122	59,003
Other current assets	21,681	10,469
Due from related parties	1,731,644	2,216,246
Total current assets	<u>1,856,808</u>	<u>2,329,022</u>
Investments and Long -Term Receivable Balances:		
Long-term loans	227,646	200,000
Property and equipment, net	-	-
Total assets	<u>\$ 2,084,454</u>	<u>\$ 2,529,022</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 38,815	\$ 8,350
Other current liabilities	69,482	119,934
Provision for legal disputes	6,100,000	-
Deferred revenue - short term	13,500	13,500
Total current liabilities	<u>6,221,797</u>	<u>141,784</u>
Non-Current Liabilities:		
Due to related parties	477,022	477,430
Deferred revenue - long term	10,792	24,292
Total non-current liabilities	<u>487,814</u>	<u>501,722</u>
Total liabilities	<u>6,709,611</u>	<u>643,506</u>
Stockholders' equity:		
Common shares (\$0 par value; 200 shares authorized; 10 shares issued and outstanding)	-	-
Retained earnings (Accumulated deficit)	(4,625,157)	1,885,516
Total stockholders' equity	<u>(4,625,157)</u>	<u>1,885,516</u>
Total liabilities and stockholders' equity	<u>\$ 2,084,454</u>	<u>\$ 2,529,022</u>

The accompanying notes are an integral part of the financial statements.

AROMA FRANCHISE COMPANY, INC.
STATEMENTS OF OPERATIONS

	For the Year Ended December 31,	
	2021	2020
Revenues:		
Royalties	\$ 218,909	\$ 132,697
Franchise fees	13,500	13,500
Total revenues	<u>232,409</u>	<u>146,197</u>
General and administrative expenses	<u>(643,032)</u>	<u>(219,925)</u>
Losses before other expenses	(410,623)	(73,728)
Provision for legal disputes	<u>(6,100,000)</u>	<u>-</u>
Losses before taxes	(6,510,623)	(73,728)
Tax expense	(50)	(50)
Losses	<u>\$ (6,510,673)</u>	<u>\$ (73,778)</u>

The accompanying notes are an integral part of the financial statements.

AROMA FRANCHISE COMPANY, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	<u>Common Stock</u>		<u>Retained Earnings</u> <u>(Accumulated deficit)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>		
Balance as of January 1, 2020	10	\$ -	\$ 1,959,294	\$ 1,959,294
Losses	-	-	(73,778)	(73,778)
Balance as of December 31, 2020	10	\$ -	\$ 1,885,516	\$ 1,885,516
Losses	-	-	(6,510,673)	(6,510,673)
Balance as of December 31, 2021	<u>10</u>	<u>\$ -</u>	<u>\$ (4,625,157)</u>	<u>\$ (4,625,157)</u>

The accompanying notes are an integral part of the financial statements.

AROMA FRANCHISE COMPANY, INC.
STATEMENTS OF CASH FLOWS

	<u>For the Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Losses	\$ (6,510,673)	\$ (73,778)
Adjustments to reconcile losses to net cash used in operating activities:		
Change in operating assets and liabilities:		
Accounts receivable	(13,300)	5,071
Accounts receivable from related parties	22,881	(29,220)
Other current assets	(11,212)	588
Accounts payable	30,465	(24,437)
Accounts payable from related parties	-	(15,619)
Provision for legal disputes	6,100,000	-
Other current liabilities	(50,452)	(32,996)
Deferred revenue	(13,500)	(13,500)
Net cash used in operating activities	<u>(445,791)</u>	<u>(183,891)</u>
Cash Flows from Financing Activities		
Loan rendered to a franchisee	(27,646)	(200,000)
Due to related parties, net	484,194	331,809
Net cash provided by financing activities	<u>456,548</u>	<u>131,809</u>
Increase (decrease) in cash	10,757	(52,082)
Cash at the beginning of the year	2,641	54,723
Cash at the end of the year	<u>\$ 13,398</u>	<u>\$ 2,641</u>
Additional Information		
Cash paid for income taxes	<u>\$ 50</u>	<u>\$ 50</u>

The accompanying notes are an integral part of the financial statements.

AROMA FRANCHISE COMPANY, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

Aroma Franchise Company, Inc. ("the Company") was incorporated on January 5, 2010 in the State of New York. The Company is a wholly-owned subsidiary of Aroma USA, Inc. ("USA"), a Company that is a wholly-owned subsidiary of Shefa Franchises Limited ("Shefa"), an Israeli Company that has developed a chain of cafes in Israel operating under the name "Aroma Espresso Bar" and is the owner of trademarks and other relevant intellectual property.

USA was authorized by Shefa to grant master franchises and franchises in the United States and Canada for Espresso bar and café operations under the name "Aroma Espresso Bar". The amount of royalties to be paid to Shefa with respect to the license granted was determined with transfer pricing study prepared by Shefa which is updated periodically.

In March 2007, USA signed a Master Franchise Agreement with Aroma Espresso Bar Canada Inc. ("Aroma Canada"), for Espresso bar and café operations under the name "Aroma Espresso Bar" in Canada. In January 2010 and effective January 1, 2010, USA transferred and assigned to the Company all of its rights and interest under its Master Franchise Agreement in Canada and its franchise agreements in the United States for Espresso bar and café operations under the name "Aroma Espresso Bar". In May 2019 the Master Franchise Agreement with Aroma Canada was terminated, following the breach of the Master Franchise Agreement by Aroma Canada. The Company incorporated a newly, wholly owned, subsidiary in Canada, Aroma Global Ltd ("Global") (see note 3), and Global was granted the right to be franchisor to the franchise system in Canada. Following the termination of the franchise agreement, arbitral proceedings were commenced, resulting in an award that remains subject to challenge, as discussed in greater detail in Note 6.

All franchises agreements formerly signed between Aroma Canada and its Canadian franchisees were assumed by the Company and subsequently assigned to Global. The amount of royalties to be paid to the Company with respect to the license granted was determined with transfer pricing study.

As of the day of the report, forty-one locations are operating under the name of "Aroma Espresso Bar", including two operated by Café Collins 16 LLC ("Café Collins 16"), and Café Miami Gardens LLC ("Café Miami Gardens"), related parties, and two franchised restaurants with location in the US and thirty-seven in Canada.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation. The financial statements are prepared on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles ("GAAP").

Financial statements in U.S. dollars. The Company's financial statements are prepared in U.S. dollars, which is the primary currency of its economic environment.

Cash and cash equivalents. Cash and cash equivalents are comprised of cash, demand deposits and interest-bearing time deposits in banks with original maturities not exceeding three months from the date of deposit. The Company maintains its cash accounts in two financial institutions. Cash balances located in the banks are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. The Company has \$0 of uninsured cash balance as of December 31, 2021 and 2020.

Accounts Receivable. Accounts receivable are carried at net realizable value. Estimates are made as to the Company's ability to collect outstanding accounts receivable, taking into consideration the amount, customers' financial condition and age of the debt. The Company ascertains the net realizable value of amounts owed and provides an allowance when collection becomes doubtful. Accounts receivable are expected to be collected in the normal course of business. The Company recorded \$191,410 and \$276,658 allowances as of December 31, 2021 and 2020, respectively.

AROMA FRANCHISE COMPANY, INC.
NOTES TO THE FINANCIAL STATEMENTS

Concentration of Credit Risk. The financial instrument that potentially subjects the Company to concentration of credit risk is accounts receivable. There were three customers in 2021 and 2020 which accounted for approximately 97% and 90% of the total accounts receivable balance at December 31, 2021 and 2020, respectively. There were two customers in 2021 and 2020 that each accounted for more than 10% of our net royalty revenue. The aggregated totals of net royalty revenue in these periods were approximately 95% and 87%, respectively.

Property and Equipment. Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The annual depreciation rates are:	<u>%</u>
Computer	30%
Web Site	20%

Income taxes. The Company is taxed as a Corporation, on a consolidated basis with its parent company. No provision or liability for Federal, State and local income taxes has been reflected in the financial statements of the Company.

Deferred income taxes. Deferred tax assets and liabilities are determined based on temporary differences between financial reporting and the tax bases of assets and liabilities. Deferred tax assets are also recognized for tax of net operating loss carryforwards. These deferred tax assets and liabilities are measured using the enacted tax rates and laws that are expected to be in effect when such amounts are expected to reverse or be utilized. The realization of total deferred tax assets is contingent upon the generation of future taxable income. Valuation allowances are provided to reduce such deferred tax assets to amounts more likely than not to be ultimately realized. As of December 31, 2021 and 2020 the Company did not have a deferred tax asset or liability.

Revenue recognition. Revenue earned includes initial franchise fees, continuing service fees, and royalties. Revenues from initial franchise fees are included with the usage rights, in accordance with the franchise period (the straight-line method). Continuing service fees and royalties will be recognized in the period in which they are earned. In May 2014, the FASB issued guidance codified in Accounting Standard Codification ("ASC") 606, "Revenue Recognition – Revenue from Contracts with Customers," which amends the guidance in former ASC 605, "Revenue Recognition." The core principle of the Standard is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. The Standard calls for additional disclosures around the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted the Standard effective January 1, 2019, as is applicable for all non-public entities with calendar year ends. The Standard may be applied retrospectively to each prior period presented or retrospectively with the effect recognized as of the date of adoption ("modified retrospective method"). The Company has selected to apply the modified retrospective method.

Advertising expense. Advertising costs are expensed as incurred. As part of the agreement between the Company and the US based franchisees, a 1.5% fee based on the gross sales is paid to the company to be used for advertising. Total advertising expenses for the years ended December 31, 2021 and 2020 were \$148,177 and \$80,569, respectively. Total advertising fees collected from franchisees and Café Collins 16 and Café Miami Garden in the years ended December 31, 2021 and 2020, were \$81,244 and \$48,616, respectively.

Use of estimates in the preparation of the financial statements. The preparation of financial statements in conformity with generally accepted accounting principles 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 dates of the financial statements, and the reported amounts of revenues and expenses, during the reporting periods. Actual results could differ from those estimates.

AROMA FRANCHISE COMPANY, INC.
NOTES TO THE FINANCIAL STATEMENTS

Fair value accounting. The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash, accounts receivables, trade payables, accrued expenses and other liabilities. The carrying amounts reported in the balance sheets for these items approximates fair value because of the short maturity of these instruments.

Loans from related parties: The carrying value of such loans approximates book value as such instruments are at market rates currently available to the Company.

NOTE 3 – UNCONSOLIDATED SUBSIDIARY

In May 2019, the Company incorporated a newly formed wholly owned subsidiary in Canada, Aroma Global Ltd. ("Global"). All franchise agreements formerly signed between Aroma Canada, the Company's Canadian Master Franchisee, and the Canadian franchisees were assigned to Global. For the year ended December 31, 2021 Global reported approximately \$1.2 million of losses, that is not a final amount. These losses were financed directly the Company's Ultimate Parent Company. The financial statements of Global were not consolidated with the Company's financial statements but included at cost less allowance for impairment.

NOTE 4 - PROPERTY, PLANT & EQUIPMENT:

Property and equipment consist of the following as of:

		December 31,	
		2021	2020
Computer and software	\$	4,980	\$ 4,980
Less: accumulated depreciation		(4,980)	(4,980)
Total property and equipment, net	\$	-	\$ -

For the years ended December 31, 2021 and 2020, depreciation expense was \$0.

NOTE 5 - RELATED PARTIES:

The Company recorded the following related party transactions:

		December 31,	
		2021	2020
Current Assets:			
Accounts receivable from related parties (4.1)	\$	36,122	\$ 59,003
Due from related parties (4.2)	\$	1,665,256	\$ 2,144,990
Due from subsidiary (4.6)	\$	66,388	\$ 71,256
Current Liabilities:			
Due to related parties (4.2)	\$	477,022	\$ 477,430

		For the Year Ended December 31,	
		2021	2020
Revenue:			
Revenues - royalties (4.3)	\$	208,398	\$ 115,746
General and administrative expenses:			
Commissions (4.4)	\$	-	\$ 8,052
Participation in payroll (4.5)	\$	(90,000)	\$ (52,500)

**AROMA FRANCHISE COMPANY, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 5 - RELATED PARTIES (cont.):

- 4.1 As of December 31, 2021 and 2020 accounts receivable from related parties consist of amounts owed by Café Miami Gardens, Café Collins 16 for advertising and royalty fees.
- 4.2 As of December 31, 2021 and 2020 the Company recorded receivables in the net amounts of \$1,188,234 and \$1,667,560, respectively, for expenses paid on behalf of USA and related parties and cash transfers for funding purposes.
- 4.3 In the years ended December 31, 2021 and 2020, the Company earned royalty income from Café Miami Gardens and Café Collins 16, related companies.
- 4.4 In the year ended December 31, 2020, the Company paid commission fees to Aroma NY, LLC, a related company, amounting to 75% of all royalty fees collected from the New York based franchisees.
- 4.5 The Company is reimbursed for payroll expenses paid on behalf of Café Miami Gardens and Café Collins 16. The Company allocated \$90,000 and \$52,500 to these locations in 2021 and 2020, respectively.
- 4.6 As of December 31, 2021 and 2020 the Company recorded a receivable of \$66,388 and \$71,256, respectively, from Global. It is presented as a part of due from subsidiary.

NOTE 5 - EQUITY:

The Company has 200 shares authorized of non-par value and has 10 shares issued and outstanding as of December 31, 2021 and 2020.

NOTE 6 – LEGAL DISPUTES AND COMMITMENTS:

- a. Aroma Espresso Bar Canada Inc. ("Aroma Canada") is the former master franchisee of Aroma Espresso Bars in Canada. It operated under a Master Franchise Agreement ("MFA") between Aroma Canada and the Company. On April 16, 2019, the Company notified Aroma Canada that Aroma Canada was in breach of the MFA and that the Company would terminate the MFA if Aroma Canada failed to cure the breaches within 30 days (the "Termination Notice"). The Company terminated the MFA effective May 17, 2019 and assumed Aroma Canada's obligations under the existing subfranchise agreements. On May 8, 2019, Aroma Canada and two of its shareholders (collectively, "Claimants") filed with the ADR Institute of Canada a Notice of Request to Arbitrate (the "Notice") asserting certain claims against the Company and various affiliated companies and two individuals (collectively, "Respondents"). Claimants alleged that the Company breached the MFA by requiring Aroma Canada and the Canadian franchisees to purchase coffee and pastries from an affiliate of the Company and by not considering an alternate supplier. They further alleged that the actions of the Respondents were oppressive and unfairly prejudicial to Aroma Canada and that the Company had breached its duty of fair dealing. Claimants sought, among other things: damages in the amount of Cdn\$50,000,000.

On June 10, 2019, Respondents filed their response to Claimants' Notice denying the allegations in the Notice and asserting counterclaims against the Claimants for among other things: multiple breaches of the MFA, including violations of the supply provisions, claiming damages of approximately Cdn\$10,000,000.

The matter was heard by an arbitrator and the hearing consisted of 19 days of evidence in July and August, 2021, followed by two days of oral argument in September, 2021. On January 11, 2022, the arbitrator released his award (the "Award"), which remains subject to an application to set the Award aside that the Respondents are bringing before the Ontario Superior Court of Justice. The Award declared the following relief: "a. A declaration that Aroma Franchise wrongfully terminated the MFA; b. That Aroma Franchise pay Aroma Canada the sum of \$10,000,000 as damages; c. That Aroma Franchise pay to Aroma Canada damages pursuant to the Act in the amount of \$200,000; d. The claim for fraudulent conveyance is dismissed; e. The claims for oppression by all parties are dismissed; f. That Aroma Canada pay Aroma Franchise \$69,000 for unpaid royalties; g. That all claims in the

AROMA FRANCHISE COMPANY, INC.
NOTES TO THE FINANCIAL STATEMENTS

counterclaim other than the award in sub-paragraph (e) are dismissed. h. The issues of costs and interest are reserved for further order after submissions by the parties on a schedule to be agreed by the parties or set by me."

The Respondents application to set aside the Award will, among other things, contend that, at the time the Award was delivered, the arbitrator had a 15-month undisclosed financial relationship with counsel for the Claimants that gives rise to justifiable doubts as to his impartiality or independence. The Respondents will also contend that the Award contains multiple flaws that render it subject to being set aside by the Ontario courts. The Respondents expect that the application to set aside the Award will be heard sometime in 2022.

As a matter of caution the company decided to provide 6.1M US dollars (that constitutes 77.5% of the awarded amount since the parent company holds 22.5% of the shares of Aroma Canada) to cover the possible outcome of the award given against the company.

- b. As of December 31, 2021, and 2020, the Company has no lease obligations.

NOTE 7 - SUBSEQUENT EVENTS:

The Company has evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through June 15, 2022, the date on which the financial statements were available to be issued and has indicated that no material subsequent events affecting the financial statements existed as of that date.

AROMA FRANCHISE COMPANY, INC.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

**AROMA FRANCHISE COMPANY, INC.
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020**

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Jerusalem, April 29, 2021

Independent Auditors' Report

To the Board of Directors
Aroma Franchise Company, Inc.

We have audited the accompanying financial statements of Aroma Franchise Company, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2020 and the related statements of income, retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

We did not audit the financial statements the abovementioned company for the year 2019. The financial statements of the Company were audited by other auditors whose qualified opinion on them was rendered on March 30, 2020 and our opinion, in regard to any amounts that were included for that year, is based on the statements of the other auditors.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



Basis for Qualified Opinion

As discussed in Note 3 to the financial statements, the Company reports its investment in Aroma Global Ltd. ("Global"), a wholly owned subsidiary, at cost less allowance for impairment. In our opinion, accounting principles generally accepted in the United States of America require that all majority-owned subsidiaries be accounted for as consolidated subsidiaries. If the financial statements of Aroma Global Ltd. had been consolidated with those of Aroma Franchise Company, Inc., total assets and total liabilities would be increased by approximately \$1 million as of December 31, 2020, and revenues and expenses would be decreased by \$3.4 million for the year then ended.

Qualified Opinion

In our opinion, except for the effects of not consolidating all majority-owned subsidiaries, as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Aroma Franchise Company, Inc. as of December 31, 2020 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.


 Barzily & Co.
 Certified Public Accountants
 A Member of MSI Worldwide



**AROMA FRANCHISE COMPANY, INC.
STATEMENTS OF FINANCIAL POSITION**

	December 31,	
	2020	2019
ASSETS		
Current Assets:		
Cash	\$ 2,641	\$ 54,723
Accounts receivable	40,663	45,734
Accounts receivable from related parties	59,003	29,783
Other current assets	10,469	11,057
Due from related parties	2,216,246	2,537,519
Total current assets	<u>2,329,022</u>	<u>2,678,816</u>
Investments and Long -Term Receivable Balances:		
Long-term loans	200,000	-
Property and equipment, net	-	-
Total assets	<u>\$ 2,529,022</u>	<u>\$ 2,678,816</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 8,350	\$ 32,787
Accounts payable from related parties	-	15,619
Other current liabilities	119,934	152,930
Due to related parties	477,430	466,894
Deferred revenue - short term	13,500	13,500
Total current liabilities	<u>619,214</u>	<u>681,730</u>
Non-Current Liabilities:		
Deferred revenue - long term	<u>24,292</u>	<u>37,792</u>
Total liabilities	<u>643,506</u>	<u>719,522</u>
Stockholders' equity:		
Common shares (\$0 par value; 200 shares authorized; 10 shares issued and outstanding)	-	-
Retained earnings	<u>1,885,516</u>	<u>1,959,294</u>
Total stockholders' equity	<u>1,885,516</u>	<u>1,959,294</u>
Total liabilities and stockholders' equity	<u>\$ 2,529,022</u>	<u>\$ 2,678,816</u>

The accompanying notes are an integral part of the financial statements.

AROMA FRANCHISE COMPANY, INC.
STATEMENTS OF OPERATIONS

	For the Year Ended December 31,	
	2020	2019
Revenues:		
Royalties	\$ 132,697	\$ 451,580
Franchise fees	13,500	13,500
Total revenues	<u>146,197</u>	<u>465,080</u>
General and administrative expenses	<u>(219,925)</u>	<u>(347,722)</u>
Income (losses) before taxes	(73,728)	117,358
Tax expense	(50)	(50)
Net income (losses)	\$ <u>(73,778)</u>	\$ <u>117,308</u>

The accompanying notes are an integral part of the financial statements.

AROMA FRANCHISE COMPANY, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	<u>Common Stock</u>		<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>		
Balance as of January 1, 2019	10	\$ -	\$ 1,841,986	\$ 1,841,986
Net income	-	-	117,308	117,308
Balance as of December 31, 2019	10	\$ -	\$ 1,959,294	\$ 1,959,294
losses	-	-	(73,778)	(73,778)
Balance as of December 31, 2020	<u>10</u>	<u>\$ -</u>	<u>\$ 1,885,516</u>	<u>\$ 1,885,516</u>

The accompanying notes are an integral part of the financial statements.

AROMA FRANCHISE COMPANY, INC.
STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	2020	2019
Cash Flows from Operating Activities		
Net income (losses)	\$ (73,778)	\$ 117,308
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	-	219
Change in operating assets and liabilities:		
Accounts receivable	5,071	28,533
Accounts receivable from related parties	(29,220)	71,549
Other current assets	588	11,915
Accounts payable	(24,437)	(10,406)
Accounts payable from related parties	(15,619)	11,110
Other current liabilities	(32,996)	(369)
Deferred revenue	(13,500)	(13,500)
Net cash provided by (used in) operating activities	(183,891)	316,360
Cash Flows from Financing Activities		
Due to related parties, net	131,809	(185,503)
Net cash provided by (used in) financing activities	131,809	(185,503)
Increase (decrease) in cash	(52,082)	30,857
Cash at the beginning of the year	54,723	23,866
Cash at the end of the year	\$ 2,641	\$ 54,723
Additional Information		
Cash paid for income taxes	\$ 50	\$ 50

The accompanying notes are an integral part of the financial statements.

AROMA FRANCHISE COMPANY, INC. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

Aroma Franchise Company, Inc. ("the Company") was incorporated on January 5, 2010 in the State of New York. The Company is a wholly-owned subsidiary of Aroma USA, Inc. ("USA"), a Company that is a wholly-owned subsidiary of Shefa Franchises Limited ("Shefa"), an Israeli Company that has developed a chain of cafes in Israel operating under the name "Aroma Espresso Bar" and is the owner of trademarks and other relevant intellectual property.

USA was authorized by Shefa to grant master franchises and franchises in the United States and Canada for Espresso bar and café operations under the name "Aroma Espresso Bar". The amount of royalties to be paid to Shefa with respect to the license granted was determined with transfer pricing study prepared by Shefa which is updated periodically.

In March 2007, USA signed a Master Franchise Agreement with Aroma Espresso Bar Canada Inc. ("Aroma Canada"), for Espresso bar and café operations under the name "Aroma Espresso Bar" in Canada. In January 2010 and effective January 1, 2010, USA transferred and assigned to the Company all of its rights and interest under its Master Franchise Agreement in Canada and its franchise agreements in the United States for Espresso bar and café operations under the name "Aroma Espresso Bar". In May 2019 the Master Franchise Agreement with Aroma Canada was canceled, following the breach of the Master Franchise Agreement by Aroma Canada (see Note 6). The Company incorporated a newly, wholly owned, subsidiary in Canada, Aroma Global Ltd. ("Global") (see Note 3), and granted Global a license to conduct franchise activities for Aroma Espresso bar and café operations in Canada under an Intellectual Property Sublicense Agreement (the "IP Sublicense").

All franchises agreements formerly signed between Aroma Canada and its Canadian franchisees were assumed by the Company and subsequently assigned to Global. The amount of royalties to be paid to the Company with respect to the license granted was determined with transfer pricing study.

As of the day of the report, forty-one locations are operating under the name of "Aroma Espresso Bar", including two operated by Café Collins 16 LLC ("Café Collins 16"), and Café Miami Gardens LLC ("Café Miami Gardens"), related parties, and one franchised restaurant with location in the US (states of New Jersey) and thirty-eight in Canada.

Since January 2020 and until the approval of the financial statement, the world is experiencing a pandemic that is having a macro-economic impact relating to the spread of the Covid-19 (Corona) virus (hereinafter – "the Virus"). Corona has been declared a pandemic by the World Health Organization. Many countries, including USA, have taken significant steps in an effort to minimize the spread of the Virus, such as restrictions on citizens, transportation of passengers and goods, reducing the number of employees who are allowed to get to work, etc .

This event has significant effects on the economies and world markets, and many countries were economically harmed by the spread of the Virus. The revenues of the company were effected due to the lockdown of the restaurants and coffee shops and the limitation of transport of citizens.

Management is in the opinion that once the Pandemic shall be controlled the results of the company shall return to their previous level within a short time

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation. The financial statements are prepared on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles ("GAAP").

Financial statements in U.S. dollars. The Company's financial statements are prepared in U.S. dollars, which is the primary currency of its economic environment.

AROMA FRANCHISE COMPANY, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Cash and cash equivalents. Cash and cash equivalents are comprised of cash, demand deposits and interest-bearing time deposits in banks with original maturities not exceeding three months from the date of deposit. The Company maintains its cash accounts in two financial institutions. Cash balances located in the banks are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. The Company has \$0 of uninsured cash balance as of December 31, 2020 and 2019.

Accounts Receivable. Accounts receivable are carried at net realizable value. Estimates are made as to the Company's ability to collect outstanding accounts receivable, taking into consideration the amount, customers' financial condition and age of the debt. The Company ascertains the net realizable value of amounts owed and provides an allowance when collection becomes doubtful. Accounts receivable are expected to be collected in the normal course of business. The Company recorded \$276,658 and \$272,288 allowances as of December 31, 2020 and 2019, respectively.

Concentration of Credit Risk. The financial instrument that potentially subjects the Company to concentration of credit risk is accounts receivable. There were five and four customers in 2020 and 2019 which accounted for approximately 96% and 99% of the total accounts receivable balance at December 31, 2020 and 2019, respectively. There were two and four customers in 2020 and 2019 that each accounted for more than 10% of our net royalty revenue. The aggregated totals of net royalty revenue in these periods were approximately 87% and 78%, respectively.

Property and Equipment. Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The annual depreciation rates are:	<u>%</u>
Computer	30%
Web Site	20%

Income taxes. The Company is taxed as a Corporation, on a consolidated basis with its parent company. No provision or liability for Federal, State and local income taxes has been reflected in the financial statements of the Company.

Deferred income taxes. Deferred tax assets and liabilities are determined based on temporary differences between financial reporting and the tax bases of assets and liabilities. Deferred tax assets are also recognized for tax of net operating loss carryforwards. These deferred tax assets and liabilities are measured using the enacted tax rates and laws that are expected to be in effect when such amounts are expected to reverse or be utilized. The realization of total deferred tax assets is contingent upon the generation of future taxable income. Valuation allowances are provided to reduce such deferred tax assets to amounts more likely than not to be ultimately realized. As of December 31, 2020 and 2019 the Company did not have a deferred tax asset or liability.

Revenue recognition. Revenue earned includes initial franchise fees, continuing service fees, and royalties. Revenues from initial franchise fees are included with the usage rights, in accordance with the franchise period (the straight-line method). Continuing service fees and royalties will be recognized in the period in which they are earned. In May 2014, the FASB issued guidance codified in Accounting Standard Codification ("ASC") 606, "Revenue Recognition – Revenue from Contracts with Customers," which amends the guidance in former ASC 605, "Revenue Recognition." The core principle of the Standard is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. The Standard calls for additional disclosures around the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted the Standard effective January 1, 2019, as is applicable for all non-public entities with calendar year ends. The Standard may be applied retrospectively to each prior period presented or retrospectively with the effect recognized as of the date of adoption ("modified retrospective method"). The Company has selected to apply the modified retrospective method.

AROMA FRANCHISE COMPANY, INC. **NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Advertising expense. Advertising costs are expensed as incurred. As part of the agreement between the Company and the US based franchisees, a 1.5% fee based on the gross sales is paid to the company to be used for advertising. Total advertising expenses for the years ended December 31, 2020 and 2019 were \$80,569 and \$111,356, respectively. Total advertising fees collected from franchisees and Café Collins 16, Café Collins 5 (closed in 2019), and Café Miami Garden in the years ended December 31, 2020 and 2019, were \$48,616 and \$57,522, respectively.

Use of estimates in the preparation of the financial statements. The preparation of financial statements in conformity with generally accepted accounting principles 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 dates of the financial statements, and the reported amounts of revenues and expenses, during the reporting periods. Actual results could differ from those estimates.

Fair value accounting. The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash, accounts receivables, trade payables, accrued expenses and other liabilities. The carrying amounts reported in the balance sheets for these items approximates fair value because of the short maturity of these instruments.

Loans from related parties: The carrying value of such loans approximates book value as such instruments are at market rates currently available to the Company.

NOTE 3 – UNCONSOLIDATED SUBSIDIARY

In May 2019, the Company incorporated a newly formed wholly owned subsidiary in Canada, Aroma Global Ltd. ("Global"). All franchise agreements formerly signed between Aroma Canada, the Company's Canadian Master Franchisee, and the Canadian franchisees were assigned to Global. For the year ended December 31, 2020 Global reported approximately \$3.4 million of losses, that is not a final amount. These losses were financed directly the Company's Ultimate Parent Company. The financial statements of Global were not consolidated with the Company's financial statements but included at cost less allowance for impairment.

NOTE 4 - PROPERTY, PLANT & EQUIPMENT:

Property and equipment consist of the following as of:

	December 31,	
	2020	2019
Computer and software	\$ 4,980	\$ 4,980
Less: accumulated depreciation	(4,980)	(4,980)
Total property and equipment, net	\$ -	\$ -

For the years ended December 31, 2020 and 2019, depreciation expense was \$0 and \$219, respectively.

AROMA FRANCHISE COMPANY, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - RELATED PARTIES:

The Company recorded the following related party transactions:

		December 31,	
		2020	2019
Current Assets:			
Accounts receivable from related parties (4.1)	\$	59,003	\$ 29,783
Due from related parties (4.2)	\$	2,144,990	\$ 2,441,519
Due from subsidiary (4.7)	\$	71,256	\$ 96,000
Current Liabilities:			
Accounts payable - related party (4.3)	\$	-	\$ 15,619
Due to related parties (4.2)	\$	477,430	\$ 466,894

		For the Year Ended December 31,	
		2020	2019
Revenue:			
Revenues - royalties (4.4)	\$	115,746	\$ 332,787
General and administrative expenses:			
Commissions (4.5)	\$	8,052	\$ 76,094
Participation in payroll (4.6)	\$	(52,500)	\$ (90,000)

- 4.1 As of December 31, 2020 and 2019 accounts receivable from related parties consist of amounts owed by Café Miami Gardens, Café Collins 16 for advertising and royalty fees.
- 4.2 As of December 31, 2020 and 2019 the Company recorded receivables in the net amounts of \$1,667,560 and \$1,974,625, respectively, for expenses paid on behalf of USA and related parties and cash transfers for funding purposes.
- 4.3 As of December 31, 2019 the Company recorded a liability to Shefa Franchises Ltd., the ultimate parent company, for advertising and marketing.
- 4.4 In the year ended December 31, 2020 the Company earned royalty income from Café Miami Gardens and Café Collins 16, related companies. In the year ended December 31, 2019 the Company earned royalty income from Aroma Espresso Bar Canada, Inc., Café Miami Gardens and Café Collins 16, related companies.
- 4.5 The Company pays commission fees to Aroma NY, LLC, a related company, amounting to 75% of all royalty fees collected from the New York based franchisees.
- 4.6 The Company is reimbursed for payroll expenses paid on behalf of Café Miami Gardens and Café Collins 16 and Café Collins 5 (closed in 2019). The Company allocated \$52,500 and \$90,000 to these locations in 2020 and 2019, respectively.
- 4.7 As of December 31, 2020 and 2019 the Company recorded a receivable of \$71,256 and \$90,000, , respectively, from Global. It is presented a part of due from subsidiary.

NOTE 5 - EQUITY:

The Company has 200 shares authorized of no par value and has 10 shares issued and outstanding as of December 31, 2020 and 2019.

**AROMA FRANCHISE COMPANY, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6 - CONTINGENT LIABILITIES AND COMMITMENTS:

- a. The Company is subject to legal proceedings, claims and litigation arising in the ordinary course of business. On May 8, 2019, in connection with the termination of Aroma Canada's Master Franchise Agreement, Aroma Canada and two of its shareholders ("Claimants") filed an arbitration claim in the amount of \$50,000,000 CAD against the Company, its parent companies (Aroma USA, Inc., Shefa Franchises, Ltd. and Aroma Espresso Bar Ltd.), and various other parties ("Respondents"). The Respondents have denied the allegations and filed counterclaims against the Claimants. This arbitration is currently in its initial stages and it is hard to assess the outcome. Nevertheless, the Company and its parent companies are confident in their positions.
- b. The Company received a copy (not yet formally served) of a Statement of Claim issued by 2677144 Ontario Inc. ("267"), a former franchisee of the Canadian franchise system, who abandoned their location. The claim seeks damages in the amount of \$436,500 CAD as compensation for the rescission of the 267's franchise agreement and names as defendants Aroma Espresso Bar Canada, Inc., Aroma Group Inc., Earl Gorman, Somnath Wadera (collectively, the "Aroma Canada Parties") as well as Oshrat Katri Dulberg, Aroma Global Ltd., Aroma USA, Inc.; Aroma Franchise Company, Inc. and Yariv Shefa (collectively, the "Aroma Israel Parties"). Discussions with the counsel for the plaintiff indicate that there is a significant chance that the demand from the Aroma Israel Parties will be dropped. Legal counsels of the company are optimistic that there will be no exposure to the company as a result of this statement of claim.
- c. As of December 31, 2020, and 2019, the Company has no lease obligations.

NOTE 7 - SUBSEQUENT EVENTS:

The Company has evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through March 30, 2021, the date on which the financial statements were available to be issued and has indicated that no material subsequent events affecting the financial statements existed as of that date.

EXHIBIT B-1

FRANCHISE AGREEMENT
(INCLUDING STATE-SPECIFIC AMENDMENTS)

AROMA FRANCHISE COMPANY, INC.
FRANCHISE AGREEMENT

Form dated: March 28, 2018
FDD dated: May 4, 2023

AROMA FRANCHISE COMPANY, INC.

FRANCHISE AGREEMENT

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EXHIBITS

Exhibit A	Franchise Location; Protected Area and Opening Date
Exhibit B	Owners' Guarantee and Assumption Agreement
Exhibit C	Statement of Ownership Interests and Management Personnel
Exhibit D	Electronic Funds Transfer Authorization

AROMA FRANCHISE COMPANY, INC.

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “Agreement”) is made and entered into this ____ day of _____, 20__ (the “Effective Date”), by and between Aroma Franchise Company, Inc., a New York corporation (“Franchisor,” “we,” “us,” or “our”) and _____ (“Franchisee,” “you,” or “your”).

RECITALS:

Our Affiliates in Israel have developed a business system (the “Aroma System” or “System”, as further defined below) for the establishment and operation of espresso bars offering coffee, coffee-related beverages (including espresso-based beverages), alcoholic and other non-alcoholic beverages, and a variety of food items (“Aroma Espresso Bars”) and have granted us the right to use and license the use of the Aroma System to facilitate the establishment of Aroma Espresso Bars in the United States.

Aroma Espresso Bars are identified by certain trade names, service marks, trademarks, logos, emblems and other indicia of origin, including the trademark and service mark “**AROMA ESPRESSO BAR**” (collectively, the “Marks,” as further defined below).

We have appointed one or more individuals or entities who meet our standards and qualifications as our area representatives (each, an “**Area Representative**”) to operate within defined geographic territories in the United States. If your Aroma Espresso Bar is in a territory where we have an Area Representative, we intend to delegate to our Area Representative certain of our obligations to provide services to you.

You wish to obtain a franchise to establish and operate an Aroma Espresso Bar using the Marks and the System.

We are willing to grant you a franchise to do so upon the terms and conditions set forth in this Agreement in reliance on your application and your representations made in the application and in this Agreement.

NOW, THEREFORE, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, you and we agree as follows:

I. DEFINITIONS

“Advertising Fund” or “Fund” means the advertising fund described in Section VIII.C. of this Agreement.

“Affiliate” or “Affiliates” of a named person means any person or entity that is controlled by, controlling or under common control with the named person.

“Anti-Terrorism Laws” means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

“Area Representative” means the Area Representative for your state identified in our Franchise Disclosure Document (“FDD”) delivered with the form of this Franchise Agreement and any successor area representative.

“Aroma System” or “System” means our comprehensive methods and procedures for the establishment, management and operation of Aroma Espresso Bars, including the Confidential Information, our Manuals, the Marks and other business standards and policies, the distinguishing characteristics of which include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings; special recipes and menu items; uniform 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; and advertising and promotional programs, all of which we may change, improve, further develop or otherwise modify from time to time.

“Business Day” means each day other than a Saturday, Sunday, U.S. holidays or any other day on which the Federal Reserve is not open for business in the United States.

“Competitive Business” means any espresso bar, catering or food and beverage facility featuring coffee, coffee-related beverages (including espresso-based beverages), alcoholic and other non-alcoholic beverages, and other food items now or in the future offered by Aroma Espresso Bars. A Competitive Business also includes any business acting as an area representative, franchise broker, business broker, or the like for Competitive Businesses. Restrictions contained in this Agreement on competitive activities do not apply to: (a) the ownership, operation or franchising of Aroma Espresso Bars by or pursuant to agreements with, or authorizations from Franchisor or its Affiliates; or (b) the ownership of shares of a class of securities that are listed on the U.S. stock exchange or traded on the over-the-counter market and that represent less than five percent (5%) of that class of securities.

“Computer System” means the computer hardware and software (including, without limitation, point of sale software) and cash registers that we may designate from time to time for use in the operation of Aroma Espresso Bars.

“Confidential Information” means all proprietary and confidential information relating to the establishment and operation of Aroma Espresso Bars, including, without limitation our: (i) standards and specifications, including equipment, product, and supplier standards and specifications; (ii) site selection criteria; (iii) recipes; (iv) advertising and marketing plans and programs; (v) research, development and test programs for products, services and operations; (vi) the contents of our Manuals; (vii) knowledge of the operating and financial results of Aroma Espresso Bars, other than your Espresso Bar; (viii) computer programs and systems, including electronic data files and passwords. Confidential Information also includes Improvements (as defined in Section X.D.).

“Cooperative” means an advertising cooperative, as described in Section VIII.B. of this Agreement.

“Control” or “Controlling Interest” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through ownership of voting securities, by contract or otherwise.

“Development Agreement” means an agreement between you (or your parent company, if you are a qualified Subsidiary Franchisee (as defined in the Development Agreement) (“Developer”) and us under which Developer has agreed to open multiple Espresso Bars.

“Development Fee Credit” means that portion of the development fee paid under the Development Agreement that is allocable to the Espresso Bar and that is credited against the Initial Franchise Fee.

“Espresso Bar” means the Aroma Espresso Bar operated by you at the Franchise Location pursuant to this Agreement, including all assets used in connection with its operation.

“Force Majeure” means acts of God, war, acts of terrorism, riot, epidemic, fire or other catastrophes beyond a party’s control.

“Franchise Location” means the site at which the Espresso Bar is located, as listed in Exhibit A to this Agreement.

“General Manager” means, for any Franchise Agreement executed pursuant to a Development Agreement, a person who satisfies our qualifications and whom we approve to oversee the day-to-day operation of the Espresso Bar. The General Manager must invest in the Developer or any Subsidiary Franchisee (as defined in the Development Agreement) and shall have an ownership interest which we deem sufficient, in our sole discretion. The General Manager must at all times own, free and clear of all encumbrances, at least twenty-five percent (25%) of the outstanding stock or other ownership interests in you.

“Gross Sales” means the total selling price of all services and products and all income of every other kind and nature related to the Espresso Bar (including, without limitation, income related to catering operations and special events), whether for cash or credit and regardless of collection in the case of credit. The following are included within the definition of “Gross Sales” except as otherwise noted: (a) The full value of beverages and food items furnished to your employees as an incident to their employment, except that you may credit the value of any discounts you extend to your employees against Gross Sales during the week in which the beverages and food items were furnished to determine the amount of Gross Sales upon which fees calculated in respect of Gross Sales are due; and (b) the retail value of all products sold in connection with the redemption of coupons, gift certificates, gift cards or vouchers; provided, that at the time such coupons, gift certificates, gift cards or vouchers are purchased, the retail price thereof may be excluded from Gross Sales for the purpose of determining the amount of Gross Sales upon which fees are due. “Gross Sales” does not include (i) receipts from any vending machines or video games installed in the Espresso Bar, except for any amount representing your share of those revenues, (ii) sales taxes you collect from customers of the Espresso Bar, if the taxes are actually transmitted to the appropriate taxing authority; (iii) tips or gratuities paid directly to your employees by customers of the Espresso Bar or paid to you and turned over by you to your employees in lieu of direct tips or gratuities; (iv) returns to shippers or manufacturers; and (v) proceeds from isolated sales of trade fixtures not constituting any part of the products and services offered for sale at the Espresso Bar or having any material effect upon the ongoing operation of the Espresso Bar.

“Gross Sales Report” means the report in the form we require due on or before the Business Day immediately preceding the Payment Date, itemizing the Gross Sales of the Espresso Bar for the preceding calendar month.

“Immediate Family” means spouse, parents, brothers, sisters and children, whether natural or adopted.

“Initial Franchise Fee” has the meaning given to it in Section IV.A.

“Manager” means the General Manager and any other managerial personnel designated pursuant to Section VII.E.(2) of this Agreement.

“Manual” or “Manuals” means our confidential operations manual, which may consist of one or more manuals, containing our mandatory and suggested standards, specifications and operating procedures relating to the development and operation of Aroma Espresso Bars and your obligations under this Agreement. The term also includes alternative or supplemental means of communicating information to you, including bulletins, videotapes, audio tapes, compact discs, computer diskettes, CD ROMs and electronic communications.

“Marks” means the trade names, trademarks, service marks, logos, emblems and other indicia of origin that we have designated, and may in the future designate, in writing for use in connection with the System, including, but not limited to, the mark “Aroma Espresso Bar.”

“Opening Date” means the date the Espresso Bar opens for business to the public.

“Owners” mean those persons and entities which, collectively and individually, hold an ownership interest in you and in any entity directly or indirectly controlling you.

“Payment Date” means the date on which royalty payments are due. Currently, the Payment Date is the fifth (5th) Business Day of the month following the month for which the royalties are payable, but we may change the Payment Date upon at least thirty (30) days’ prior written notice to you.

“Principal Owner” means the Owner identified on Exhibit C, who is designated by you and approved by us as meeting our qualifications. The Principal Owner is responsible for overseeing the operation of your business and, unless this Agreement is executed pursuant to a Development Agreement, is also responsible for overseeing the day-to-day operation of the Espresso Bar. The Principal Owner must at all times own, free and clear of all encumbrances, at least twenty-five percent (25%) of the outstanding stock or other ownership interests in you.

“Protected Area” means the geographic area described on Exhibit A, exclusive of any Reserved Area, within which you will be afforded the protections described in Section II.B. of this Agreement.

“Reserved Area” means any enclosed shopping center, amusement parks, theme parks, sports stadiums and arenas, airports, train stations, hospitals, schools, hotels, office buildings, and military bases.

“Software Programs” means the proprietary or other software programs we develop or acquire for use by Aroma Espresso Bars.

“Taxes” means any present or future taxes, levies, imposts, duties or other charges of whatsoever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the franchised business, the payment of monies, or the exercise of rights granted pursuant to this Agreement, except taxes imposed on or measured by our net income.

II. GRANT

A. Grant of Rights. We hereby grant you the right, and you accept the obligation, to establish and operate an Aroma Espresso Bar under the Marks and the System in accordance with this Agreement and our standards. You are not authorized to offer any of the products and services offered by Aroma Espresso Bars at wholesale. You also are not authorized to conduct catering or delivery activities outside the Protected Area. All such activities must be conducted in accordance with our standards and specifications, only from the Franchise Location, and only within the Protected Area.

B. Franchise Location and Protected Area. Prior to the execution of this Agreement, we will enter the address of the Franchise Location in Exhibit A and will assign you a Protected Area around the Franchise Location which we will also describe in Exhibit A. Except as provided in Section II.C. and subject to your full compliance with this Agreement and any other agreement between you or your Affiliates and us or our Affiliates, neither we nor any of our Affiliates will establish, or authorize any person or entity other than you to establish, an Aroma Espresso Bar in the Protected Area during the term of this Agreement.

C. Reserved Rights. The rights granted to you under this Agreement are nonexclusive. Except for the protection in Section II.B. against the establishment of another Aroma Espresso Bar in the Protected Area, we and our Affiliates have and retain all rights within and outside the Protected Area. Accordingly, we, our Affiliates, and any other authorized person or entity will have the right, among others,

(i) to operate, and license others to operate, Aroma Espresso Bars at any location outside the Protected Area and in any Reserved Area, including locations that are adjacent to or surrounded by the Protected Area; and

(ii) within and outside the Protected Area to (a) develop and establish other business systems (including systems that distribute products or services similar to those offered at Aroma Espresso Bars) using other names or marks and to grant licenses to use those systems, (b) to advertise and promote the System; and (c) 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 Aroma Espresso Bar, regardless of the competitive impact, and including, but not limited to, from or through catering, delivery, temporary or seasonal facilities at special events or venues (including, without limitation, concerts, street fairs, parks, parades, sporting events, and similar venues), mail order catalogs and the Internet; and

(iii) to establish and operate, and license others to establish and operate, espresso bars under the Marks and the System in the Protected Area, if such stores are acquired by us or our Affiliates in connection with the acquisition of an existing business operating, at the time of acquisition, under a trade name or mark other than the Marks. We will notify you in writing (the "Notice") of each such acquisition in the Protected Area within a reasonable period of time following the consummation of the acquisition. If the offer would not result in the violation of any law or contract right and if you meet our then-current requirements for a new franchisee, the Notice shall offer you the right and option, exercisable in writing within thirty (30) days after your receipt of such Notice, to purchase from us or our Affiliate ("Seller") all (and not less than all) of the espresso bars acquired by Seller and located in the Protected Area at a price (the "Purchase Price") equal to the allocated cost to Seller of the subject espresso bar(s). The allocated cost shall be calculated based on the aggregate acquisition cost (including legal and other professional fees) of all espresso bars and other net assets acquired in the acquisition, whether or not in the Protected Area (collectively, "Total Assets") and will be computed by multiplying such aggregate acquisition cost for the Total Assets by a fraction, the numerator of which is the number of espresso bar(s) located in the Protected Area, and the denominator of which is the total number of espresso bars acquired in the acquisition. Unless otherwise agreed by Seller, payment of the Purchase Price shall be made in cash at closing, which shall take place within not more than sixty (60) days following the date on which Seller receives notice that you exercise your option, or such other date as the parties agree in writing. At closing, you and we shall enter into our then-current form of franchise agreement and pay all applicable fees for the operation of each of the espresso bars purchased by you. You further agree to make such repairs and renovations to the espresso bars you acquire as we shall reasonably require. Your failure to exercise its election in writing within the thirty (30) day option period shall constitute an election not to exercise the purchase option.

III. TERM

A. Term. Unless sooner terminated as provided in this Agreement, the term of this Agreement will begin on the Effective Date and will continue until ten (10) years from the Opening Date.

B. Renewal. We and you agree that this Agreement and the license granted by this Agreement are not renewable.

IV. FEES

A. Initial Franchise Fee. You agree to pay us an Initial Franchise Fee of Fifty-Five Thousand Dollars (\$55,000), less any Development Fee Credit (if applicable), upon the execution of this Agreement. The Initial Franchise Fee shall be deemed fully earned and nonrefundable upon receipt by us. Except as set forth in Section VI.A., no part of the Initial Franchise Fee is refundable.

B. Royalty Fee. Beginning on the Opening Date and continuing thereafter throughout the initial term of this Agreement, you agree to pay to us a royalty fee on each Payment Date during the term calculated as seven percent (7%) of the Espresso Bar's Gross Sales for the immediately preceding month. Beginning on the Opening Date Royalty Fees shall be paid monthly, with respect to the prior month's Gross Sales; provided, that if the Opening Date is any date other than the first day of a month, the first royalty payment shall be for the period beginning on the Opening Date and ending on the last day of the calendar month in which the Opening Date occurs. Monthly royalty fee payments shall be made in the manner we designate (including by electronic fund transfer) on or before the Payment Date; provided, that if the Payment Date is not a Business Day, then payment shall be due on the next Business Day following the Payment Date. Each payment shall be accompanied by a report itemizing the Gross Sales of the Espresso Bar for the applicable royalty period. Upon at least thirty (30) days prior written notice to you, require that royalty fees be calculated and paid weekly.

C. Other Fees and Payments. In addition to the Initial Franchise Fee and royalty, you must pay when due all other fees or amounts described in this Agreement and in any other agreement between you and us or our Affiliates.

D. Past Due Amounts; Acceptance and Application of Payments.

(1) Any payment not actually received by us on or before the due date will be deemed overdue. All unpaid obligations under this Agreement will bear interest from the date due until paid at the lesser of eighteen (18%) percent per annum, or the maximum legal rate. No provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum legal rate. If for any reason interest in excess of the maximum legal rate shall be deemed charged, required or permitted, any such excess shall be applied as a payment to reduce any other amounts which may be due and owing, and if no such amounts are due and owing, then the excess shall be repaid to the party making the payment. You also agree to pay any late payment fees assessed by us, up to \$100 for each month a payment due under this Agreement remains delinquent.

(2) Our acceptance of any payments subsequent to the due date shall not be deemed to be a waiver by us of any preceding breach by you or your Owners of any terms, provisions, covenants or conditions of this Agreement.

(3) We will have the right to apply any payment we receive from you to any amounts you owe us or our Affiliates under this Agreement or any other agreement, even if you have designated the payment for another purpose or account. We may accept any payment in any amount from you

without prejudice to our right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on or accompanying any payment or elsewhere shall constitute or be considered as an accord or satisfaction.

(4) You have no right to withhold any payments due us on account of our breach or alleged breach of this Agreement, and no right to offset any amount due us against any obligation that we may owe to you.

(5) Each payment to be made to us shall be made free and clear and without deduction for any Taxes.

E. Electronic Funds Transfer. At our request, you agree to execute Exhibit D to this Agreement and all other documents necessary to permit us to withdraw funds from your designated bank account by electronic funds transfer ("EFT") in the amount of the royalty fee and any other amounts due under or pursuant to this Agreement at the time such amounts become due. Any fee calculated by reference to Gross Sales will be based on the information we obtain pursuant to Section VII.F. of this Agreement or the Gross Sales Report. If we have not received the Gross Sales Report by the date it is due, then we may process an EFT for the subject period based on the most recent Gross Sales Report you gave us; provided, that if you later give us a Gross Sales Report for the applicable period which reflects (i) that the actual amount of the fee due was more than the amount of the EFT, then we will be entitled to withdraw additional funds through EFT from your designated bank account for the difference; or (ii) that the actual amount of the fee due was less than the amount of the EFT, then we will credit the excess amount to the payment of your future obligations. Should your bank fail to honor any EFT for any reason, you agree that you will be responsible for that payment and any service charge. Upon written notice to you, we may designate another method of payment.

F. Payments to Our Designated Representative. Anything in this Agreement to the contrary notwithstanding, we may designate our Area Representative as our agent for the collection of amounts due under this Agreement, and you agree to pay to our Area Representative any or all amounts due under this Agreement in accordance with our written instructions. If we later instruct you in writing to cease making payments to our Area Representative and commence making payments to us or a replacement agent, you agree to do so.

V. SITE SELECTION, DEVELOPMENT AND OPENING

A. Site Selection and Master Lease/Sublease. The following site selection and lease/sublease provisions shall apply:

(1) If you and we have not previously identified a site for the Espresso Bar, then after you and we have signed this Agreement and during the period that you are engaged in initial training, we will use commercially reasonable efforts to locate a site for the Espresso Bar from within the non-exclusive Designated Area identified in Exhibit A to this Agreement. You agree that you have no territorial or other protection in or to the Designated Area and that other Aroma Espresso Bar franchisees may be assigned a designated area that includes all or a portion of the Designated Area described in Exhibit A. We will determine, in our sole discretion, which site to present to a franchisee from within such area.

(2) With the period that is between six (6) and twelve (12) months following the Effective Date of this Agreement, or earlier, we will propose to you a site within the Designated Area for your Aroma Espresso Bar by delivering to you a Sublease (each as further described below) for the site in accordance with Section V.B. of this Agreement. You must accept or reject the site within not more than thirty (30) days following our delivery of the Sublease. If you accept the site, you must execute the

Sublease and pay any amount required by the Sublease as a security deposit or advance rental payment (the amount of which shall be based on the terms of the Master Lease, described below). Following your execution of the Sublease, we will then enter the address of the site on Exhibit A to this Agreement as the Franchise Location. If you reject the site or if we fail to propose a site to you within the time period set forth above, this Agreement will terminate and we will refund to you any portion of the Initial Franchise Fee you have paid. Provided that we do so, you agree that neither you nor your Owners will have any claim (and will assert no claim) for damages, specific performance or any other remedy against us, our Affiliates, our Area Representative, or our or their respective officers, directors, employees, or agents.

(3) After you have accepted a site as the Franchise Location, you may not relocate the Espresso Bar without our prior written consent. If you are unable to continue the operation of the Espresso Bar at the Franchise Location because of the occurrence of an event of Force Majeure or for other reasons not constituting an event of default under this Agreement, you may request our consent to relocate the Espresso Bar to another location in the Protected Area. If we grant you the right to relocate the Espresso Bar, then you shall comply with such site selection and construction procedures as we may require.

(4) Although we will select the site for the Franchise Location, you agree that you will independently investigate the proposed site before accepting it. Your acceptance of the site will be based on your own independent investigation of the suitability of the site for an Aroma Espresso Bar. You agree that we have not made, and that you have not and will not rely on, any representations or warranties of any kind, express or implied, of the suitability of the site for an Aroma Espresso Bar or any other purpose. Our selection of the site will indicate only that we believe that the site meets our criteria for an Aroma Espresso Bar. We are not responsible if the Espresso Bar fails to meet your or our expectations.

(5) We or our designee will negotiate and enter into a lease for the proposed Aroma Espresso Bar site directly with the landlord ("Master Lease"). We or our designee will then deliver to you a sublease under which you will lease the site from us or our designee ("Sublease"). The Sublease will be in the form attached to the FDD, as adapted for the Master Lease. You agree that our inability to successfully conclude lease negotiations for a particular site will not constitute a breach of this Agreement.

(6) If we approve a site you own for the Aroma Espresso Bar, you agree to enter into a Master Lease with us for the site and thereafter Sublease the site from us upon commercially reasonable terms that are satisfactory to us.

(7) In our sole discretion, we may approve you to execute the lease for the proposed Aroma Espresso Bar directly with the landlord, but we are under no obligation to do so. If we do, this Agreement will be amended to include additional relevant provisions, including the following. Prior to executing the proposed lease, you shall provide to us a copy of the proposed lease for our approval, together with such other information and materials as we may reasonably require. We will not approve the lease unless an addendum to the lease, in a form approved by us, is attached to the lease and incorporated therein. Our approval of a lease does not mean that the economic terms of the lease are favorable; it means only that the lease contains certain lease terms that we require. You must furnish to us a copy of the executed lease for the Franchise Location within ten (10) days after execution. The executed lease shall be in the same form as the lease submitted for our approval. You expressly agree (i) to furnish to us promptly upon receipt copies of any and all letters and notices sent to you as tenant under the lease, including, without limitation, any notices of default, and (ii) not to amend or modify the lease, or assign, renew or extend the term of the lease, without our prior written consent.

B. Build Out.

(1) To facilitate the build out of your Aroma Espresso Bar, we will give you access to a set of prototypical architectural and design plans and specifications for an Aroma Espresso Bar ("Plans"). These Plans form a part of our Confidential Information and you must treat them as confidential. At your expense, you must use our designated designer, architect and engineer in connection with the adaptation of the Plans and the construction of the Espresso Bar. You must submit the adapted Plans to us for review. You may use the adapted Plans only after we have accepted them in writing. The Plans, as adapted and accepted by us, will be considered the "Final Plans" for the build out of the Espresso Bar. You acknowledge that our review of the adapted Plans and acceptance of the Final Plans is only for the purpose of determining compliance with System standards and does not constitute a representation, warranty, or guarantee, express or implied, that the plans are accurate or free of error concerning their structural application. We are not responsible for architecture or engineering, or for code, zoning, or other requirements of the laws, ordinances or regulations of any federal, state, local, or municipal governmental body, including, without limitation, any requirement relating to accessibility by disabled persons or others, nor are we responsible for any errors, omissions, or discrepancies of any nature in the plans.

(2) Following our acceptance of the Final Plans, you must promptly commence and diligently pursue construction of the Espresso Bar using a general contractor we designate. In addition, you shall provide to us, upon request, a copy of the construction contract for the Espresso Bar. During construction, you agree to provide us with such periodic progress reports as we may reasonably request. In addition, we will make such on-site inspections as we may deem reasonably necessary to evaluate your progress. You agree to notify us of the scheduled date for completion of construction no later than forty-five (45) days prior to such date. Within a reasonable time after the date construction is completed, we will, at our option, conduct an inspection of the completed Espresso Bar. You must not open the Espresso Bar for business without our written authorization, which will be conditioned upon your strict compliance with this Agreement.

(3) You are responsible for obtaining all zoning classifications and clearances which may be required by any laws, ordinances, regulations, or restrictive covenants relating to the construction and operation of the Espresso Bar at the Franchise Location. Before beginning construction of the Espresso Bar, you must (i) obtain all approvals, clearances, permits, licenses and certifications required for the lawful construction or remodeling and operation of the Espresso Bar, and (ii) certify in writing to us that they have been obtained and that the insurance coverage required by this Agreement is in full force and effect. Without limiting the foregoing, you must obtain all required licenses and/or governmental approvals to offer and sell alcoholic beverages at the Espresso Bar not later than one (1) month following the Opening Date and you must maintain all necessary alcoholic beverage licenses and approvals throughout the term of this Agreement. Failure to obtain and maintain such alcoholic beverage licenses and/or governmental approvals will constitute a material default under this Agreement. At our request, you shall provide to us copies of all approvals, clearances, permits, licenses and certifications related to the Espresso Bar.

C. Opening. Unless you and we mutually agree in writing to an extension, you must open the Espresso Bar and commence business within two hundred seventy (270) days after you execute a Sublease. You acknowledge that time is of the essence. Before the Opening Date, you must complete all exterior and interior preparations for the Espresso Bar, including installation of equipment, fixtures, furnishings and signs, pursuant to the plans and specifications we have approved, and must comply with all other pre-opening obligations. You agree that we have the right to approve all elements of the Espresso Bar's design and that we may withhold authorization to open if you fail to comply with our design

standards and specifications or if you fail to comply with any other pre-opening obligations. Your failure to open the Espresso Bar in compliance with these provisions will be deemed a material event of default under this Agreement.

VI. TRAINING AND ASSISTANCE.

A. Initial Training. We will provide initial management training programs for your Principal Owner and any General Manager, with costs to be borne as provided in Section VI.E. below. Training will be conducted at an Aroma Espresso Bar designated as a training store ("Training Store") and/or other location(s) we designate. Your Principal Owner and any General Manager must successfully complete our initial management training programs before the Opening Date. Any successor or replacement Principal Owner or General Manager must successfully complete our management training programs within a reasonable time after they are designated. The content and timing of our management training program may vary. If your Principal Owner or any General Manager fails, in our sole judgment, to satisfactorily complete our initial management training program, and you fail to cure the default within ninety (90) days following written notice from us, we may terminate this Agreement. If we do, we will refund to you any portion of the Initial Franchise Fee you have paid. Provided that we do so, you agree that neither you nor your Owners will have any claim (and will assert no claim) for damages, specific performance or any other remedy against us, our Affiliates, our Area Representative, or our or their respective officers, directors, employees, or agents.

B. Opening Assistance. We will provide to you the on-site pre-opening and opening assistance that we reasonably deem necessary. The size of team that we provide and the time period during which we will provide the opening assistance will vary depending on various factors, including the size and location of your Espresso Bar. You must reimburse us for the wages of our representatives and any expenses they incur, such as costs of travel, lodging, and meals. We may also charge a reasonable fee for our opening assistance, in addition to requiring you to pay or reimburse us for any expenses incurred by our representatives.

C. Additional or Supplemental Training. Your Principal Owner, Managers, and any of your other personnel whom we may designate, must attend and complete any additional or supplemental training that we may from time to time require at locations we designate.

D. Remedial Training. Upon your reasonable request or if we determine it to be necessary, we will also provide on-site remedial training or assistance subject to the availability of our personnel. We may require you to pay the per diem fee we are then charging for on-site remedial training and assistance, and pay or reimburse us for the expenses incurred by our representatives, including the costs of travel, lodging, and meals.

E. Training Costs. We reserve the right to charge a fee for our training programs. The initial management training program for your initial Principal Owner and any initial General Manager will be provided at no additional charge, and your Principal Owner will be paid minimum wage during the training period, but you are responsible for any and all expenses incurred by your Principal Owner and General Manager during the initial training period including, without limitation, the costs of travel, lodging and meals. We may require you to pay us a reasonable fee to train replacement or successor personnel, for additional or supplemental training programs, and for training programs (including on line training programs) provided outside of the Training Store. You are responsible for any and all expenses incurred in connection with any such initial or additional training, including, without limitation, the costs of travel, lodging, meals and wages incurred by you and your personnel.

F. Training of Personnel. With our prior written consent and subject to our then-current certification procedures, we may authorize you to implement a training program for the employees of your Espresso Bar in accordance with our then-current standards.

VII. ESPRESSO BAR OPERATIONS

A. Standards Compliance. You acknowledge the importance of maintaining uniformity among all of the Aroma Espresso Bars and the importance of complying with all of our standards and specifications relating to the operation of the Aroma Espresso Bars. You further acknowledge and agree that local conditions or other special circumstances may warrant a deviation from such standards, specifications, policies, or procedures and we may, in our reasonable judgment, allow such deviation. To protect the reputation and goodwill of the System and to maintain high standards of operation under the Marks, you agree to conduct your business in accordance with the Manuals, other written directives which we may issue to you from time to time, and any other manuals and materials created or approved for use in the operation of Aroma Espresso Bars. You agree to operate the Espresso Bar in full conformity with our methods, standards and specifications as set forth in the Manuals and as from time to time otherwise prescribed in writing. Without limitation of the foregoing, you agree:

(1) To sell or offer for sale all menu items, products and services we require using the method and manner of distribution we prescribe. Distribution methods may include, but are not limited to, dine-in and carry-out. Catering and delivery services are not authorized unless expressly approved or required by us in writing;

(2) To sell and offer for sale only the menu items, products and services that we have expressly approved for sale in writing; to discontinue selling and offering for sale any menu items, products or services and any method or manner distribution which we may disapprove in writing at any time;

(3) To maintain in sufficient supply and to use and sell at all times only those food and beverage items, ingredients, products, materials, and supplies that conform to our standards and specifications; to prepare all menu items in accordance with our recipes and procedures for preparation, to use the brand and/or type of ingredients we require and the prescribed measurements of ingredients; and to refrain from deviating from our standards and specifications by using or offering non-conforming items or differing amounts of any items or otherwise, without our prior written consent;

(4) To permit us, our Area Representative or other representatives, at any reasonable time, to remove samples of food or non-food items from the Espresso Bar, without payment, in amounts reasonably necessary for testing to determine whether such samples meet our then-current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if the supplier of the item has not previously been approved by us or if the sample fails to conform to our specifications;

(5) To purchase or lease and install, at your expense, all fixtures, furnishings, equipment, Computer Systems, decor items, signs, and related items that we may reasonably direct from time to time; and to refrain from installing or permitting to be installed in or about the Espresso Bar, without our prior written consent, any fixtures, furnishings, equipment, decor items, signs, video games, vending machines or other items not previously approved as meeting our standards and specifications;

(6) To grant us, our Area Representative or other representatives the right to enter the Espresso Bar at any reasonable time to conduct inspections; to cooperate with our representatives

conducting the inspections by rendering such assistance as they may reasonably request; and, upon notice from us or our agents (and without limiting our other rights under this Agreement), to take any and all steps that may be necessary to correct promptly any deficiencies detected during an inspection. If you fail for any reason to correct such deficiencies within a reasonable time, as determined by us, we will have the right and authority (but no obligation) to correct the System standards deficiencies and to charge you a reasonable fee, payable on demand, for our expenses in taking the corrective action (including, without limitation, any necessary re-inspection);

(7) To maintain a competent, conscientious, trained staff and to take any and all steps necessary to ensure that your employees preserve good customer relations and comply with any dress code we may prescribe;

(8) To have your Principal Owner or a qualified Manager on duty at all times that the Espresso Bar is open;

(9) To keep the Espresso Bar open and in operation for the days and hours that we may from time to time prescribe; and

(10) To process and handle all consumer complaints connected with or relating to the Espresso Bar, and to promptly notify us of all food related illnesses, safety or health violations, claims exceeding One Thousand Dollars (\$1,000), and any other material claims against or losses suffered by you. Without limitation of the foregoing, upon the occurrence of a Crisis Management Event, you must immediately inform us or our authorized representative of such event and in order to mitigate possible damages to the Marks and System, you must cooperate fully with us and with the appropriate authorities with respect to the investigation of, statements regarding, and responses to the Crisis Management Event. **“Crisis Management Event”** means any event that occurs at or about the Espresso Bar premises or in connection with the operation of the Espresso Bar 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. You also agree to maintain any communications with governmental authorities affecting the Espresso Bar during the term of this Agreement and for one (1) year after the expiration or earlier termination hereof.

B. Maintenance. You agree to maintain the Espresso Bar in a high degree of sanitation and repair, and to make such additions, alterations, repairs and replacements as may be required for that purpose, including, without limitation, such periodic repainting or replacement of signs, furnishings, décor, and equipment (including, but not limited to, point of sale or Computer Systems) as we may reasonably direct. You also agree to obtain, at your expense, any new or additional equipment, fixtures, supplies and other products and materials which we may reasonably require for you to offer and sell new services or products from the Espresso Bar or to provide such services or products by alternative means. No alterations, improvements or changes of any kind in design, equipment, signs, interior or exterior decor items, fixtures or furnishings shall be made in or about the Espresso Bar without our prior written approval.

C. Upgrades. At any time during the term of this Agreement, upon our request, you must make improvements to the Espresso Bar to conform it to our then-current standards and specifications. Such improvements will be reasonable considering the circumstances of the Espresso Bar.

D. Sourcing.

(1) You agree to comply with all of our standards and specifications for the purchase of all products and services used in connection with or offered for sale at the Espresso Bar, including, without limitation, food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment, Computer Systems, designated design, architectural, engineering, and general contractor services, and all other products and services used in connection with or offered for sale at the Espresso Bar. If we have approved or designated suppliers for any such item (including manufacturers, distributors, vendors and other sources), you agree to obtain these items from those suppliers. Our approved or designated suppliers are those who demonstrate on a continuing basis the ability to meet our standards and specifications; who have adequate quality controls and the capacity to supply the needs of the Aroma franchise network promptly and reliably over an extended period of time; and who have been approved in writing by us and who have not thereafter been disapproved by us. You acknowledge and agree that (a) we may change the number of approved or designated suppliers at any time and may designate ourselves, an Affiliate, or a third party as the exclusive source for any particular item; (b) we may profit from your purchases and leases from approved or designated suppliers, and (c) we and/or our Affiliates may receive payments, fees, commissions or reimbursements from such suppliers in respect of your purchases and leases.

(2) If you wish to use any item or service that we have not yet evaluated or (for items that we require you to purchase from designated or approved suppliers) if you wish to purchase or lease any such item from a supplier that we have not yet approved, you must submit a written request for approval to us. You cannot purchase or lease any such item unless the supplier has been approved in writing by us. We are not required to approve any particular supplier. We will have the right to require you to submit information, specifications and samples to us to enable us to determine whether the item complies with our standards and specifications and that the supplier meets our criteria. We also have the right to send our representatives to inspect the supplier's facilities and to have samples from the supplier be delivered to us or to an independent laboratory designated by us for testing. You or the proposed supplier may be required to pay for the cost of the inspection and of the test (including our administrative expenses). We may condition our approval of a supplier on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, client relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints) or other criteria. We reserve the right to re-inspect from time to time the facilities and products of any approved supplier and to revoke our approval of the supplier if the supplier fails to continue to meet any of our criteria. If we revoke our approval of any supplier, you agree to promptly discontinue use of that supplier. Your failure to comply with the provisions of this Section VII.D. shall be deemed a material breach under this Agreement.

E. Management.

(1) If you have not previously done so pursuant to a Development Agreement, then concurrently with the execution of this Agreement, you must designate and retain at all times during the term of this Agreement, one of your individual owners to serve as your Principal Owner. Your Principal Owner must meet our qualifications, must be approved by us, and must be empowered with full authority to act for you and on your behalf. Your Principal Owner must devote full time and best efforts to the supervision of the franchised business and, without our written consent, shall not engage in any other business. Unless otherwise approved by us, the Principal Owner shall be the same for all Franchise Agreements executed pursuant to a Development Agreement between you (or your affiliate) and the same as the Principal Owner designated under any such Development Agreement. You must promptly notify us in writing if your Principal Owner cannot continue or no longer qualifies to serve in that capacity and must take corrective action within thirty (30) days after any such notice. During such thirty (30) day

period, you must provide for interim management of your operations in accordance with this Agreement. Any failure to comply with this Section VII.E. will be a material breach of this Agreement.

(2) If this Agreement is executed pursuant to a Development Agreement, you must also designate a General Manager. In addition, if we require, you must also designate a sufficient number of other managerial personnel who meet our qualifications to assist in the operation of your Aroma Espresso Bar. Your Managers must devote full time and best efforts to the operation of the Espresso Bar, and, without our written consent, shall not engage in any other business. You and your Principal Owner shall remain fully responsible for the performance of your Managers.

F. Computer Systems. You agree to use the Computer System (if any) that we specify from time to time for use in the operation of the Espresso Bar. You acknowledge that we may modify the specifications and the components of any such Computer System from time to time. As part of the Computer System, we may require you to obtain specified computer hardware and/or software, including, without limitation, a license to use Software Programs developed by us or others. For a fee, we will provide you access to any software programs we develop or acquire for use in the System, but we are under no obligation to develop or acquire any such software programs. Changes to the Computer System specifications may require you to incur costs to purchase, lease and/or license new or modified computer hardware and/or software and to obtain service and support for the Computer System during the term of this Agreement. You acknowledge that we cannot estimate the future costs of the Computer System (or additions or modifications thereto) and that the cost to you of obtaining the Computer System (including software licenses) or additions or modification thereto may not be fully amortizable over the remaining term of this Agreement. Nonetheless, you agree to incur such costs. Within sixty (60) days after you receive notice from us, you agree to obtain the components of the Computer System that we require. You further acknowledge and agree that we have the right to charge a reasonable systems fee for any software or systems modifications and enhancements specifically made for us that are licensed to you and other maintenance and support services that we or our Affiliate may furnish to you. You further acknowledge and agree that we and our representatives shall have electronic access to the information compiled and managed by Computer System at the times and in the manner that we specify.

G. Internet; Intranet; E-mail.

(1) You agree not to establish any website or other listing on the Internet except as provided herein.

(a) We or our Affiliates have established an Internet website that provides information about the System and the products and services offered by Aroma Espresso Bars (the "Aroma Website"). We and our Affiliates will have sole discretion and control over the Aroma Website, including timing, design, contents and continuation. We may include at the Aroma Website interior pages containing information about our franchised Espresso Bars and may require you to prepare all or a portion of the page for your Espresso Bar, at your expense, using a template that we provide, with all such information subject to our approval prior to posting.

(b) Without our prior written approval, which we may give or withhold in our sole discretion, you may not develop, create, generate, own, or otherwise use any computer and/or electronic media (including but not limited to the Internet, bulletin boards, news groups, or social media) in connection with the Espresso Bar. Accordingly, you agree that you have no authority to, and you will not, establish any website that creates any association with the Marks or the System, or post any advertisements or material on the Internet that depict or display the Marks or suggest an association with the System, without our express prior written consent.

(c) You agree that you have no authority to, and you will not, register any domain name in any class or category that uses or creates any association with the Marks (including any abbreviation, acronym, phonetic variation or visual variation of the Marks) or the System without our express prior written consent. You must obtain our written approval for your domain name prior to use. If we require, your domain name must be registered in our name and licensed to you by us, in which event, on termination or expiration of this Agreement, the license of the domain name to you will automatically terminate.

(2) We also have the sole right (but no obligation) to develop an Intranet through which we and our franchisees and Area Representatives can communicate by e-mail or similar electronic means. If we develop an Intranet, you agree to participate in strict compliance with our standards, protocols and restrictions, including, without limitation, standards, protocols and restrictions relating to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements. We may, in our sole discretion, charge a reasonable fee for Intranet usage, which you agree to pay in accordance with our invoice.

(3) You will be solely responsible for compliance with any laws pertaining to sending e-mails, including but not limited to the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (“CAN-SPAM Act of 2003”).

H. Pricing. We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices that you may charge for products or services.

I. Legal Compliance. In addition to complying with your obligations under this Agreement, you agree to comply with all applicable federal, state and local laws, rules, regulations, ordinances and orders. Such laws, rules, regulations, ordinances and orders vary from jurisdiction to jurisdiction and may be amended or implemented or interpreted in a different manner from time to time. It is your sole responsibility to apprise yourself of the existence and requirements of all such laws, rules, regulations, ordinances and orders, and to adhere to them at all times during the term of this Agreement. Without limiting the foregoing, you certify that neither you nor any of your Owners, employees or anyone associated with you is listed in connection with any Anti-Terrorism Law and you agree not to hire or have any dealings with a person so listed. You further certify that you have no knowledge or information that, if generally known, would result in you, your Owners, employees, or anyone associated with you being so listed. You agree to comply with and/or assist us to the fullest extent possible in our efforts to comply with the Anti-Terrorism Laws and, in connection with such compliance, you represent and warrant that none of your property or interests are subject to being “blocked” under any of the Anti-Terrorism Laws and that you and your Owners are not otherwise in violation of any of the Anti-Terrorism Laws.

J. Data Privacy. You 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, you agree that you will cause the Espresso Bar 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 successor or additional laws, and all other data security requirements we prescribe. You are solely responsible for educating yourself as to these regulations and standards and for achieving and maintaining applicable compliance certifications. You will defend, indemnify, and hold us harmless from and against all claims arising out of or relating to your violation of this Section VII.J.

VIII. ADVERTISING

A. Local Advertising. Recognizing the value of advertising and marketing to the goodwill and public image of Aroma Espresso Bars, you agree to spend an amount equal to at least one percent (1%) of the Espresso Bar's Gross Sales for advertising and promotion of the Espresso Bar in the Protected Area. At our request, you agree to submit to us a report (including substantiating receipts) detailing your local advertising expenditures during the time period specified in the request. In addition, we have the right to review your books and records from time to time to determine your expenditures for local advertising and promotion. If we determine that you have not spent the requisite amounts, we may require you to pay such unexpended amounts to us to apply to local advertising in the Protected Area.

B. Cooperatives. We have the right to designate any geographic area in which two (2) or more company-owned or franchised Aroma Espresso Bars are located as a region for purposes of establishing an advertising cooperative ("Cooperative"). If we do, each Cooperative will be organized and governed as, and will begin operation on a date, we determine. Cooperatives will be organized for the exclusive purpose of administering advertising programs and developing promotional materials for local advertising and will be operated solely as a conduit for the collection and expenditure of advertising contributions. If a Cooperative is established for a geographic area that includes the Protected Area, you must execute the Cooperative documents promptly upon our request and participate as a member of the Cooperative. Among other things, this means that (i) you must submit to the Cooperative and to us all statements and reports that we or the Cooperative may require, and (ii) you must contribute to the Cooperative the amounts required by the Cooperative's governing documents; provided, that your Cooperative contribution will be applied to satisfy your local advertising requirement under Section VIII.A.

C. Advertising Fund. We have established an advertising program fund (the "Fund"). Upon not less than thirty (30) days' written notice to you, you agree to contribute to the Fund up to two percent (2%) of the Espresso Bar's monthly Gross Sales. This amount is in addition to amounts you are required to spend for local advertising under Section VIII.A. Fund contributions will be made monthly, with respect to the prior month's Gross Sales, at the time and in the manner that royalty fee payments are due.

(1) We or our designee will direct all programs financed by the Fund, with sole discretion over the creative concepts, materials and endorsements, and the geographic, market and media placement and allocation thereof. You agree that the Fund may be used to pay the costs of preparing and producing video, audio and written advertising materials; administering national, regional and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising and employing advertising, promotion and marketing agencies; the cost of developing and maintaining an internet website; and supporting public relations, market research and other advertising, promotion and marketing activities.

(2) The Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Fund and its programs, including, without limitation, conducting market research; preparing advertising, promotion and marketing materials; and collecting and accounting for contributions to the Fund. We may spend, on behalf of the Fund, in any fiscal year an amount greater or less than the aggregate contribution of all Aroma Espresso Bars to the Fund in that year, and the Fund may borrow from us or others to cover deficits or invest any surplus for future use. All interest earned on monies contributed to the Fund will be used to pay advertising costs before other assets of the Fund are expended. We will prepare an annual statement of monies collected and costs incurred by the Fund and furnish the statement to you upon written request. We have the right to cause the Fund to be incorporated or operated through a separate entity at such time as we deem appropriate, and such successor entity will have all of the rights and duties

specified herein. All Aroma Espresso Bars owned by us and our Affiliates will contribute to the Fund on the same basis as a franchisee under the terms of a standard franchise agreement for an Aroma Espresso Bar.

(3) You acknowledge that the Fund is intended to maximize recognition of the Marks and patronage of Aroma Espresso Bars. Although we will endeavor to utilize the Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all Aroma Espresso Bars, we undertake no obligation to ensure that expenditures by the Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Fund by Aroma Espresso Bars operating in that geographic area or that any Aroma Espresso Bar will benefit directly or in proportion to its contribution to the Fund from the development of advertising and marketing materials or the placement of advertising. We may use a portion of the monies contained in the Fund to establish regional marketing funds and/or to establish and maintain a website for Aroma Espresso Bars. Except as expressly provided in this Section, we assume no direct or indirect liability or obligation to you with respect to collecting amounts due to, or maintaining, directing or administering, the Fund.

(4) We reserve the right, upon thirty (30) days' prior written notice to you, to defer, reduce or suspend contributions to (and, if suspended, deferred or reduced, to reinstate such contributions) and to suspend operations of, the Fund for one or more periods of any length and to terminate (and, if terminated, to reinstate) the Fund. If the Fund is terminated, all unspent monies on the date of termination will be distributed to the contributors to the Fund in proportion to their respective contributions to the Fund during the preceding twelve (12) month period.

D. Promotional Programs. We may, from time to time in our sole discretion, develop and administer advertising and sales promotion programs designed to promote all Aroma Espresso Bars, including, without limitation, national, regional, or local programs that promote particular products, or gift card or other customer loyalty programs. We will be responsible for the design and administration of such programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies. If we do establish these programs, you agree to participate in them in accordance with the terms and conditions we establish. The standards and specifications we establish for such programs, shall be final and binding upon you.

E. Advertising Standards. You agree that any advertising, promotion and marketing you conduct, whether required by this Agreement or voluntarily undertaken by you, will be completely clear and factual and not misleading and will conform to the highest standards of ethical marketing and the promotion policies that we prescribe from time to time. Samples of all advertising, promotional and marketing materials that we have not prepared or previously approved must be submitted to us for approval before you use them. We may withdraw our approval at any time. You may not use any advertising or promotional materials that we have disapproved.

F. Grand Opening. You agree to carry out a grand opening promotion for your Espresso Bar in accordance with our standards. We will assist you in organizing your grand opening promotion and we must approve all advertising items, methods and media you use in connection with such grand opening promotion. This cost is in addition to your required local advertising expenditures.

G. Yellow Pages. You agree to place and pay the cost of a yellow pages listing in such directories and categories as we may specify from time to time in the Manuals or otherwise in writing. This cost is in addition to your required local advertising expenditures.

IX. MARKS

A. Your Right to Use the Marks. We grant you the right to use the Marks during the term of this Agreement in accordance with this Agreement and our standards and specifications.

B. Your Agreements Regarding the Marks. You expressly acknowledge that:

(1) We or our Affiliate have registered or applied for registration for certain of the Marks. We make no representation or warranty that any Mark for which an application for registration is pending or for which no application has been filed will mature into a registered trademark.

(2) As between us and you, we are the owner of all right, title and interest in and to the Marks and the goodwill associated with and symbolized by them.

(3) Neither you nor any of your Owners will take any action that would prejudice or interfere with our rights or those of our Affiliates in and to the Marks. Nothing in this Agreement shall give you any right, title, or interest in or to any of the Marks, except the right to use the Marks in accordance with the terms and conditions of this Agreement.

(4) Any and all goodwill arising from your use of the Marks will inure solely and exclusively to our benefit and to the benefit of our Affiliates, and upon expiration or termination of this Agreement, no monetary amount shall be attributable to any goodwill associated with your use of the Marks.

(5) You agree not to contest, or assist others to contest, the validity of, or our or our Affiliates' interest in the Marks.

(6) Any unauthorized use of the Marks will constitute an infringement of our or our Affiliates' rights in the Marks and a material event of default under this Agreement. You agree to provide us with all assignments, affidavits, documents, information and assistance related to the Marks that we or our Affiliates reasonably request, including all such instruments necessary to register, maintain, enforce and fully vest the rights of us or our Affiliates in the Marks.

(7) We have the right to substitute different trade names, trademarks, service marks, logos and commercial symbols for the current Marks to use in identifying the System and the Aroma Espresso Bars operating under the System if the current Marks no longer can be used, or if we, in our sole discretion, determine that substitution of different marks will be beneficial to the System. If we do so, you agree, at your expense, to discontinue or modify your use of any of the Marks or to use one or more additional or substitute marks.

C. Your Use of the Marks. You further agree that you will:

(1) Operate and advertise the Espresso Bar only under the name "Aroma Espresso Bar," without prefix or suffix, unless otherwise authorized or required by us. You agree not to use the Marks as part of your corporate or other legal name.

(2) Identify yourself as the owner of the Espresso Bar in conjunction with any use of the Marks, including, but not limited to, uses on invoices, order forms, receipts and contracts, and display a notice in such content and form and at such conspicuous locations at the Espresso Bar or on any vehicle used in the operation of the Espresso Bar as we may designate in writing.

(3) Not use the Marks to incur any obligation or indebtedness on our behalf.

(4) Comply with our instructions in filing and maintaining the requisite trade name or fictitious name registrations, and execute any documents deemed necessary by us or our counsel to obtain protection of the Marks or to maintain their continued validity and enforceability.

D. Infringement. You agree to notify us promptly of any apparent infringement of or challenge to your use of any Mark and of any claim by any person of any rights in any Mark. You and your Owners shall not communicate with any person other than us, our Affiliates, our and their counsel, and your counsel in connection with any such apparent infringement, challenge or claim. We will have complete discretion to take any action we deem appropriate in connection with any infringement of, or challenge or claim to, any Mark and the right to control exclusively, or to delegate control of, any settlement, litigation, Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Mark. You agree to execute all such instruments and documents, render such assistance, and do such acts or things as may, in our opinion, reasonably be necessary or advisable to protect and maintain our or our Affiliates' interests in the Marks.

X. CONFIDENTIALITY AND NONCOMPETITION COVENANTS

A. Manuals. During the term of this Agreement, we will give you access to one (1) set of our confidential Manuals. The Manuals are our property and you agree to return them to us at our request and in any event when this Agreement expires or is terminated for any reason. You and your Owners must at all times maintain the Manuals, and the information contained in them, as confidential in compliance with this Article X. You may make the Manuals available only to those of your Owners and employees who must have access to them in order to operate the Espresso Bar and may not at any time copy, duplicate, record or otherwise reproduce the Manuals, in whole or in part, or make them available to any unauthorized person. You agree to maintain the Manuals in a secure place at the Espresso Bar. We have the right to add to or modify the Manuals from time to time. You agree to comply with the terms of all additions and modifications to the Manuals and to keep your copy of the Manuals current. If there is a dispute about the contents of the Manuals, the terms of the master copy at our offices shall control. The entire contents of the Manuals, and our mandatory specifications, procedures and rules prescribed from time to time, shall constitute provisions of this Agreement as if they were set forth herein. We will charge a replacement fee of Five Hundred Dollars (\$500) for any replacement Manuals you request.

B. Nondisclosure of Confidential Information. We will disclose to you those parts of our Confidential Information we deem necessary or advisable from time to time for the establishment and operation of the Espresso Bar. You agree that you and your Owners will not acquire any interest in the Confidential Information, other than the right to use the Confidential Information disclosed to you in operating the Espresso Bar during the term of this Agreement, and that the use or duplication of any Confidential Information in any other business would constitute an unfair method of competition. You agree to disclose the Confidential Information to your Owners and employees only to the extent reasonably necessary for the operation of the Espresso Bar pursuant to this Agreement. Our Confidential Information is proprietary, includes trade secrets owned by us and our Affiliates, and is disclosed to you solely on the condition that you agree, and you do hereby agree, that you: (i) will not use the Confidential Information in any other business or capacity; (ii) will maintain the confidentiality of the Confidential Information during and after the term of this Agreement; (iii) will not make unauthorized copies of any portion of the Confidential Information; and (iv) will adopt and implement all reasonable procedures that we prescribe from time to time to prevent the unauthorized use or disclosure of the Confidential Information, including, without limitation, restrictions on disclosure of the Confidential Information to Espresso Bar personnel and others. These covenants shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon you and each of the Owners.

C. Noncompetition Covenants.

(1) You and your Owners acknowledge that, pursuant to this Agreement, you and they will receive access to valuable training and Confidential Information which are beyond your and their present skills and experience, including, without limitation, information regarding operational, sales, promotional and marketing methods and techniques of the System. You and your Owners further acknowledge that such specialized training and Confidential Information provide a competitive advantage, and that gaining access to them is a primary reason for entering into this Agreement. Accordingly, you agree that neither you nor your Affiliates nor Owners nor any members of your or their Immediate Families will, during the term of this Agreement (or with respect to each of the Owners, for so long as such person satisfies the definition of "Owner" under this Agreement),

(a) Directly or indirectly, as a disclosed or beneficial owner, officer, director, manager, employee, consultant, area representative, agent, independent contractor, or otherwise, engage or have an interest in or perform services for any Competitive Business that is located or operating within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which we or our Affiliates have used, sought registration of or registered the Marks or similar marks or operates or licenses others to operate a business under the Marks or similar marks; or

(b) Directly or indirectly, on behalf of yourself or any other person and in any capacity, solicit, divert, take away, or interfere with any of the business, customers, clients, contractors, vendors, suppliers, or patrons of any Aroma Espresso Bar.

(2) On the termination or expiration of this Agreement for any reason and following the transfer of the Espresso Bar, the franchise, or any ownership interests in you, you agree that, for a period of two (2) years commencing on the effective date of termination, expiration or transfer, neither you nor your Affiliates or Owners will have any direct or indirect interest (through any member of your or their Immediate Families or otherwise) as a disclosed or beneficial owner, investor, partner, proprietor, contractor, associate, director, officer, employee, consultant, member, manager, area representative, agent or in any other capacity in any Competitive Business located or operating (i) at the Franchise Location, (ii) within the Protected Area, or (iii) within a five (5) mile radius of (a) the Franchise Location, (b) the Protected Area, or (c) the location of any other Aroma Espresso Bar. In addition, neither you nor they shall engage in any business transactions with our other franchisees, Area Representatives, or our preferred, approved or designated vendors or suppliers. You acknowledge that the enforcement of these provisions will not deprive you or them of any personal goodwill or ability to earn a living because you and they possess skills and abilities of a general nature and have other opportunities for exploiting such skills. The time period of the competitive restriction will be automatically extended by the time period of any breach of this provision.

(3) You agree that each of the foregoing covenants contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or our other business interests. Each covenant shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section X.C. is held unreasonable or unenforceable by a court having valid jurisdiction in an unappealed final decision to which we are a party, you and your Owners 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 Section X.C. You and your Owners acknowledge that we will have the right, in our sole discretion, to reduce the scope of any covenant set forth in this Section X.C. without your or their consent, effective immediately upon notice to you; and you and your Owners agree to promptly comply with any covenant as modified. You and your Owners expressly agree that the existence of any claims you or they may have against us,

whether arising under this Agreement or otherwise, shall not constitute a defense to the enforcement by us of the covenants in this Section X.C. The time period during which the post-term non-competition obligations in this Section X.C. apply will be tolled for any period of noncompliance.

D. Improvements. If you, your employees, or Owners develop any new concept, process or improvement in the operation or promotion of an Aroma Espresso Bar (an "Improvement"), you agree to promptly notify us and provide us with all necessary related information, without compensation. Any such Improvement shall become our sole property and we shall be the sole owner of all related patents, patent applications, and other intellectual property rights. You and your Owners hereby assign to us any rights you or they may have or acquire in the Improvements, including the right to modify the Improvement, and waive and/or release all rights of restraint and moral rights therein and thereto. You and your Owners agree to assist us in obtaining and enforcing the intellectual property rights to any such Improvement in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights. You and your Owners hereby irrevocably designate and appoint us as your and 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 Improvement. In the event that the foregoing provisions of this Section X.D. are found to be invalid or otherwise unenforceable, you and your Owners hereby grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the Improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe your or their rights therein.

E. Injunctive Relief. You and your Owners acknowledge that any failure to comply with the requirements of this Article X. shall constitute a material event of default under this Agreement and further acknowledge that such a violation would result in irreparable injury to us for which no adequate remedy at law may be available. You and your Owners accordingly consent to the issuance of an injunction prohibiting any conduct by you or them in violation of the terms of this Article X., without the requirement that we post a bond. You and your Owners agree to pay all court costs and reasonable attorneys' fees and costs that we incur in connection with the enforcement of this Article X., including all costs and expenses for obtaining specific performance, or an injunction against the violation, of the requirements of this Article, or any part of it.

F. Execution of Covenants by Your Owners and Managers. You agree to require and obtain the execution of covenants similar to those set forth in this Article X. from those of your Owners (if any) who do not sign the Guarantee and Assumption Agreement attached as Exhibit B to this Agreement and from all Managers, and, at our request, other of your personnel. These covenants must be substantially in the form we prescribe and we must be named a third party beneficiary of such agreement with the independent right to enforce the agreement directly or, in our discretion, through our Area Representative.

XI. BOOKS AND RECORDS

A. Maintenance of Books and Records. You must maintain during the term of this Agreement, in accordance with generally accepted accounting principles and in the form and manner we prescribe from time to time in the Manuals, full, complete and accurate books, records and accounts of the Espresso Bar, including, but not limited to, sales slips, coupons, purchase orders, payroll records, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, journals and ledgers. You agree to preserve such books and records for at least five (5) years from the date of preparation.

B. Reporting. In addition to other reports required by this Agreement, you agree to submit to us, in the form we prescribe from time to time and at your expense:

(1) At our request, a monthly income statement (which may be unaudited), signed by your treasurer, chief financial officer or comparable officer attesting that it is true, complete and correct.

(2) Not later than April 15 after the end of each calendar year during the term of this Agreement, your complete annual financial statement (which may be unaudited), including a balance sheet, profit and loss statement, and statement of cash flows, prepared in accordance with generally accepted accounting principles by an independent certified public accountant satisfactory to us and showing the results of your operations during such calendar year.

(3) Not later than five (5) days after filing, copies of your federal income tax returns (including any extension requests) and within five (5) days after the end of each calendar quarter, copies of your state sales tax returns. If the Espresso Bar is in a state which does not impose a sales tax, you agree to submit a copy of your state income tax return (including any extension requests) not later than five (5) days after filing.

(4) At the times reasonably required by us, such other forms, reports, records, information and data as we may reasonably designate.

C. Audits. We or our designees will have the right at all reasonable times to review, audit, examine and copy your books and records relating to the Espresso Bar. If any required payments to us are delinquent, or if an examination or audit should reveal that such payments have been understated in any report to us, then you must pay to us upon demand the amount overdue or understated with interest determined in accordance with Section IV.D. If an examination or audit discloses an understatement in any report of two percent (2%) or more, you must, in addition, reimburse us for all costs and expenses connected with the audit (including, without limitation, reasonable accounting and attorneys' fees and costs). These remedies shall be in addition to any other remedies we may have at law or in equity.

D. No Waiver. Our receipt or acceptance of any of the statements furnished or amounts paid to us (or the cashing of any check or processing of any electronic fund transfer) will not preclude us from questioning the correctness thereof at any time, and, in the event that any errors are discovered in such statements or payments, you must immediately correct the error and make the appropriate payment to us.

E. Authorization to Release Information. You hereby authorize (and agree to execute any other documents deemed necessary to effect such authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors and other persons or entities with whom you do business to disclose to us any financial information in their possession relating to you or the Espresso Bar which we may request. You further authorize us to disclose to prospective franchisees or other third parties data from your reports if we determine, in our sole discretion, that such disclosure is necessary or advisable.

XII. INSURANCE

A. Insurance Coverage Requirements. Not later than sixty (60) days before the Opening Date, you must procure, at your expense, the following insurance policies and maintain these policies in full force and effect at all times during the term of this Agreement. The policies shall be written by a responsible carrier or carriers rated "A VIII" or better by the A.M. Best Company, Inc. and otherwise reasonably acceptable to us and must include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified by us from time to time in writing), the following:

(1) Comprehensive general liability insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, liquor liability (if there is a liquor license), completed operations, products liability and fire damage coverage, in the amount of One

Million Dollars (\$1,000,000) each occurrence, Two Million Dollars (\$2,000,000) general aggregate, or such greater amount as your lessor may require.

(2) “Causes of Loss: Special Form” coverage for the full replacement cost of the Business Personal Property and Improvements and Betterments (as such terms are generally defined in the “Causes of Loss: Special Form” policy) of the Espresso Bar premises and all other property in which we may have an interest with no coinsurance clause for the premises or agreed value basis. Such limit shall not be less than the Build out cost, plus the Business Personal Property, plus Inventory. Coverage for Equipment Breakdown and Spoilage must be included.

(3) Automobile liability coverage, including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than One Million Dollars (\$1,000,000) combined single limit.

(4) An “umbrella” policy providing excess coverage with limits of not less than Four Million Dollars (\$4,000,000) each occurrence and Four Million Dollars (\$4,000,000) in the aggregate, which must be excess to the general liability and automobile liability coverage required herein.

(5) Business Income/Interruption insurance providing for continued payment of all amounts due or to become due to us under this Agreement. Such business interruption insurance shall be written on a Special Causes of Loss form, either as an endorsement to the policies described in (1) and (2) above or on a separate policy. Coverage for Business Income/Interruption shall be provided for a minimum of twelve (12) months, with a minimum of thirty (30) days of Extended Business Income coverage.

(6) Employment Practices Liability Insurance coverage in amounts not less than One Million Dollars (\$1,000,000).

(7) Worker’s compensation insurance in amounts required by applicable law.

(8) Disability insurance, as required by law.

(9) Such other insurance as may be required by the landlord of the premises at, and by the state or locality in, which the Espresso Bar is located.

B. Deductibles; Waiver of Subrogation. You may elect to have reasonable deductibles in connection with the coverage required under Sections XII.A(1)-(7) hereof. Such policies shall also include a waiver of subrogation in favor of us, our Affiliates and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them.

C. Builder’s Risk Insurance. In connection with any construction, renovation, refurbishment or remodeling of the Espresso Bar, you must maintain Builder’s Risks/Installation insurance covering Hard Costs, Soft Costs and Loss of Use/Business Income; and performance and completion bonds in forms and amounts, and written by a carrier or carriers, reasonably satisfactory to us.

D. No Limitation of Other Obligations. Your obligation to obtain and maintain the foregoing policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by us, nor shall your performance of that obligation relieve you of liability under the indemnity provisions set forth in Article XV. of this Agreement.

E. Additional Insured Designation. All insurance policies required under this Agreement, with the exception of workers' compensation, disability, and employment practices liability insurance, shall name us and our Affiliates, our Area Representative, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them, as additional insureds using a form acceptable to us, and shall expressly provide that our and their interest shall not be affected by your breach of any policy provisions. Coverage shall be provided on a primary and non-contributory basis and a waiver of subrogation applies. All public liability and property damage policies shall contain a provision that we and our Affiliates, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to them by reason of your negligence or that of your servants, agents or employees.

F. Certificates of Insurance. Upon the execution of this Agreement and thirty (30) days before the expiration of any policy required under this Agreement, you agree to deliver to us certificates of insurance evidencing the existence and continuation of proper coverage with limits not less than those required under this Article XII. In addition, if we request, you agree to deliver to us a copy of the insurance policy or policies required. All required insurance policies must expressly provide that we are entitled to no less than thirty (30) days' prior written notice in the event of a material alteration to or cancellation of the policies (or ten (10) days' prior written notice in the event of non-payment of premiums).

G. Remedies. If you fail to procure or maintain the insurance required by this Agreement, we will have the right and authority (but no obligation) to procure such insurance and to charge to you the cost of such insurance, together with a reasonable fee for our expenses, which shall be payable by you upon demand. The foregoing remedies are in addition to any other remedies we may have at law or in equity.

XIII. DEBTS AND TAXES

A. Payment of Taxes and Other Obligations. You agree to promptly pay when due all Taxes levied or assessed and all accounts and other indebtedness of every kind incurred by you in connection with the Espresso Bar. You are solely liable for the payment of all Taxes and agree to indemnify us for the full amount of all such Taxes and for any liability (including penalties, interest and expenses) arising from or concerning the payment of Taxes, whether or not correctly or legally assessed.

B. Disputed Liability. If there is a bona fide dispute as to your liability for Taxes or other indebtedness, you may contest the validity or the amount of the Tax or indebtedness in accordance with the procedures of the taxing authority or applicable law. However, in no event shall you permit a tax sale or seizure by levy of execution or similar writ or warrant or attachment by a creditor, to occur against the Espresso Bar.

C. Credit Standing. You acknowledge that the failure to make payments or repeated delays in making prompt payments to suppliers will result in a loss of credit rating or standing which will be detrimental to the goodwill associated with the Marks and the System. Except for payments which are disputed by you in good faith, you agree to promptly pay when due all amounts owed by you to us, our Affiliates, and other suppliers.

D. Notice of Adverse Orders. You agree to notify us in writing within five (5) days of the commencement of any action, suit or proceeding and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of the Espresso Bar.

XIV. TRANSFER

A. By Us. We will have the right to transfer or assign this Agreement and all or any part of our rights or obligations under this Agreement to any person or legal entity without your consent, and upon such transfer or assignment, the transferee or assignee shall be solely responsible for all our obligations arising subsequent to the transfer or assignment. Without limitation of the foregoing, we may sell our assets to a third party; may offer our securities privately or publicly; may merge with or, acquire other corporations, or may be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring.

B. By You and Your Owners. You acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted you rights under this Agreement in reliance on your business skill, financial capacity and personal character and that of your Owners. Accordingly, neither you nor any of your Owners, nor any of your or their permitted successors or assigns, shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise dispose of or encumber any direct or indirect interest in this Agreement, in the Espresso Bar, or in you without our prior written consent. Any purported assignment or transfer, by operation of law or otherwise, made in violation of this Agreement shall be null and void and shall constitute a material breach of this Agreement. If you wish to transfer all or part of your interest in the Espresso Bar or this Agreement, or if you or an Owner wishes to transfer any ownership interest in you, the transferor shall apply to us for our consent. We will not unreasonably withhold our consent but may require any or all of the following as conditions of our consent:

(1) All accrued monetary obligations of you and your Affiliates to us and our Affiliates arising under this Agreement or any other agreement, shall have been satisfied in a timely manner, and you shall have satisfied all trade accounts and other debts of whatever nature or kind in a timely manner;

(2) You and your Affiliates shall not be in default of this Agreement or any other agreement with us or our Affiliates, and you and they shall have substantially and timely complied with all the terms and conditions of such agreements during their respective terms, and if this Agreement has been executed pursuant to a Development Agreement, you must concurrently transfer to the same transferee such Development Agreement and all franchise agreements executed pursuant thereto;

(3) The transferor and its owners, if applicable, shall have executed a general release, in a form satisfactory to us, of any and all claims, against us, our Affiliates, our Area Representative, and our and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement and any other agreement with us or our Affiliates, and under federal, state or local laws, rules, and regulations or orders;

(4) The proposed transferee must demonstrate to our satisfaction that it meets our then-current qualifications, and, at the transferee's expense, its principal owner, Espresso Bar managers and any other personnel we require shall complete any training programs then in effect for Aroma Espresso Bars upon such terms and conditions as we may reasonably require;

(5) The transferee shall, at its expense and within the time period we reasonably require, renovate, modernize and otherwise upgrade the Espresso Bar to conform to our then-current System image, standards and specifications;

(6) The transferee shall enter into a written agreement, in a form satisfactory to us, assuming full, unconditional, joint and several liability for, and agreeing to perform from the date of the transfer, all of your obligations, covenants and agreements under this Agreement;

(7) The transferee shall execute our then-current form of franchise agreement for a term ending on the expiration date of this Agreement. The new franchise agreement shall supersede this Agreement in all respects and its terms may differ from the terms of this Agreement, including higher fees, but the transferee shall not be required to pay an initial franchise fee. If the transferee is a corporation, partnership, limited liability company or other entity, those of the transferee's owners whom we require shall execute such guaranty and assumption documents as we may require;

(8) The transferor shall remain liable for all of its obligations to us under this Agreement incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by us to evidence such liability;

(9) You must pay us a transfer fee in an amount equal to Ten Thousand Dollars (\$10,000), plus our reasonable costs and expenses associated with the transfer, including, without limitation, training costs and legal and accounting fees and costs;

(10) If the transfer relates to the grant a security interest in any of your assets, we may require the secured party to agree that, in the event of any default by you under any documents related to the security interest, we shall have the right and option (but no obligation) to be substituted as obligor to the secured party and to cure any default.

C. Transfer for Convenience of Ownership. If the proposed transfer is to a corporation or other entity formed solely for the convenience of ownership, our consent may be conditioned upon any of the requirements in Section XIV.B., except that Sections XIV.B.(3), (4), (5), and (7) shall not apply. In any transfer for the convenience of ownership, you must be the owner of all the voting stock or ownership interests in the new entity, or, if you are more than one individual, each individual shall have the same proportionate ownership interest in the new entity as he or she had in you before the transfer.

D. Right of First Refusal. If you or an Owner wishes to transfer any interest in this Agreement, the Espresso Bar, or you pursuant to any bona fide offer received from a third party to purchase such interest, then the proposed seller shall promptly notify us in writing of the offer, and shall provide such information and documentation relating to the offer as we may require. We will have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all required documentation describing the terms of the offer, to send written notice to the seller that we intend to purchase the seller's interest on the terms and conditions offered by the third party. If we elect to purchase the seller's interest, closing shall occur on or before sixty (60) days from the later of the date of our notice to seller of our election to purchase and the date we receive all necessary permits and approvals, or any other date agreed by the parties in writing. If the third party offer provides for payment of consideration other than cash, we may elect to purchase seller's interest for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the reasonable cash equivalent, then that amount shall be determined by two (2) appraisers. Each party shall select one (1) appraiser and the average of the appraisers' determinations shall be binding. Each party shall bear its own legal and other costs and shall share the appraisal fees equally. If we exercise our right of first refusal, we will have the right to set off all appraisal fees and other amounts due from you to us or any of our Affiliates. A material change in the terms of any offer before closing shall constitute a new offer subject to the same right of first refusal as an initial offer. Our failure to exercise the option afforded by this Section XIV.D. shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section XIV.B. Failure to comply with this Section XIV.D. shall constitute a material event of default under this Agreement.

E. Death or Permanent Disability. You agree to promptly notify us of any death or claim of permanent disability subject to this Section XIV.E. Any transfer upon death or permanent disability shall

be subject to the following conditions, as well as to the conditions described in Section XIV.B. for any inter vivos transfer.

(1) Upon your death (if you are a natural person) or the death of any Owner who is a natural person (the “Deceased”), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party approved by us within six (6) months after the date of death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by us. If the distributee is not approved by us, then the distributee shall transfer such interest to a third party approved by us within six (6) months after the death of the Deceased.

(2) Upon your permanent disability (if you are a natural person) or the permanent disability of any Owner who is a natural person, we may, in our sole discretion, require that person’s interest to be transferred to a third party in accordance with the conditions described in this Article XV. within six (6) months after notice to you. “Permanent disability” shall mean any physical, emotional or mental injury, illness or incapacity which would prevent a person from performing the obligations set forth in this Agreement or in the guaranty made part of this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by us, upon examination of the person, or if the person refuses to submit to an examination, then such person automatically shall be deemed permanently disabled as of the date of such refusal for the purpose of this Section XIV.E. We will pay the costs of any examination required by this Section XIV.E.(2).

F. Securities Offerings. Interests in you shall not be offered to the public by private or public offering without our prior written consent, which we will not unreasonably withhold. As a condition of our consent, we may, in our sole discretion, require that immediately after such offering your Owners retain a Controlling Interest in you. You agree to give us written notice at least thirty (30) days before the commencement of any offering covered by this Section XIV.F. and to submit all offering materials to us for review before they are filed with any governmental agency or distributed for use. Our review of the offering materials shall be limited solely to the subject of the relationship between you and us. No offering shall imply that we are participating in an underwriting, issuance or offering of securities. We may require the offering materials to contain a written statement prescribed by us concerning the relationship between you and us. You, your Owners and the other participants in the offering must fully indemnify us, our Affiliates, our and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in connection with the offering. For each proposed offering, you must pay us a non-refundable fee of Five Thousand Dollars (\$5,000) and reimburse us for our reasonable costs and expenses (including, without limitation, legal and accounting fees and costs) associated with reviewing the offering materials.

G. No Waiver. Our consent to the transfer of any interest described in this Article XIV. shall not constitute a waiver of any claims which we may have against the transferring party, nor shall it be deemed a waiver of our right to demand the transferee’s exact compliance with any of the terms of this Agreement.

XV. INDEMNIFICATION

You agree to indemnify, defend and hold harmless us, our Affiliates, our Area Representative, and our and their respective shareholders, directors, officers, employees, agents, successors and assignees (the “Indemnified Parties”) against, and to reimburse any one or more of the Indemnified Parties for, any and all claims, and liabilities directly or indirectly arising out of your employment relationships with your employees, the operation of the Espresso Bar, or your breach of this Agreement, without limitation and

without regard to the cause or causes thereof or the negligence (whether such negligence be sole, joint or concurrent, or active or passive) or strict liability of us or any other party or parties in connection therewith. Notwithstanding the foregoing, this indemnity shall not apply to any liability arising from our gross negligence or willful misconduct, except to the extent that joint liability is involved, in which event the indemnification provided herein shall extend to any finding of comparative or contributory negligence attributable to you, your Owners, officers, directors, employees, independent contractors or Affiliates. For purposes of this indemnification, "claims" includes all obligations, damages (actual, consequential, exemplary or other) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including, without limitation, accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses. We have the right to defend any such claim against us. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Under no circumstances will we or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate our, their or your losses and expenses, in order to maintain and recover fully a claim against you. You agree that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts we or another Indemnified Party may recover from you. The terms of this Article XV. shall survive the termination, expiration or transfer of this Agreement or any interest herein.

XVI. INDEPENDENT CONTRACTOR

You agree that the relationship created by this Agreement is not a fiduciary, special, or any other similar relationship, but rather is an arm's-length business relationship, and we owe you no duties except as expressly provided in this Agreement. You are an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose. During the term of this Agreement, you agree to hold yourself out to the public as an independent contractor conducting the operations of the Espresso Bar pursuant to the rights granted by us. Nothing in this Agreement authorizes you or any of your Owners to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name, and we will in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, or for any act or omission of you or any of your Owners or any claim or judgment arising therefrom. All employees hired by you or working for you will be your or your Affiliate's employees and will not, for any purpose, be deemed our employees or employees of any of our Affiliates, nor will they be subject to our control. We have no authority to hire, fire, promote, or demote any of your or your Affiliate's employees or take any disciplinary action whatsoever against any of them. Additionally, you must communicate to all employees that you, not us, is their employer; and you must ensure that no payroll checks or other employment-related documents (such as job applications and W-2s) contain or reference the Marks or our name. Each of the parties will file its own tax, regulatory, and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

XVII. TERMINATION

A. Automatic Termination. You will be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to you, if you become insolvent or make a general assignment for the benefit of creditors; or if you file a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or if an involuntary petition is filed with respect to you under any such laws and is not dismissed within 60 days after it is filed; or if you admit in writing your inability to pay your debts when due; or if you are adjudicated as bankrupt or insolvent in proceedings filed against you under any section or chapter

of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver or other custodian for your business or assets is filed and consented to by you; or if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law are instituted by or against you; or if a final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if you are dissolved; or if execution is levied against your business or property; or if suit to foreclose any lien or mortgage against the Espresso Bar premises or equipment is instituted against you and not dismissed within thirty (30) days; or if the real or personal property of your Espresso Bar shall be sold after levy thereupon by any sheriff, marshal or constable.

B. Termination on Notice; No Cure. You will be deemed to be in material default and we may, at our option, terminate this Agreement and all rights granted hereunder, without affording you any opportunity to cure the default, effective immediately upon notice to you, upon the occurrence of any of the following events:

(1) If you operate the Espresso Bar or sell any products or services authorized by us at any location other than the Franchise Location;

(2) If you fail to construct the Espresso Bar in accordance with Article V;

(3) If you fail to open the Espresso Bar for business within the period specified in Section V.C.;

(4) If you at any time cease to operate or otherwise abandon the Espresso Bar, or lose the right to occupy the Franchise Location, including, without limitation, if the Sublease for the Espresso Bar is terminated, or otherwise forfeit the right to do or transact business in the jurisdiction where the Espresso Bar is located; provided, that this provision shall not apply upon the occurrence of an event of Force Majeure, if you apply within thirty (30) days after such event for our approval to relocate or reconstruct the Espresso Bar and you diligently pursue such reconstruction or relocation. Our approval will not be unreasonably withheld but may be conditioned upon the payment of an agreed minimum fee to us during the period in which the Espresso Bar is not in operation;

(5) If a threat or danger to public health or safety results from the construction or operation of the Espresso Bar;

(6) If you or any of your Owners is convicted of, or has entered a plea of nolo contendere to, a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or our interests therein;

(7) If you or any of your Owners transfer or attempt to transfer any rights or obligations under this Agreement or any interest in you or the Espresso Bar contrary to the terms of this Agreement, or if a transfer upon death or permanent disability is not made in accordance with Section XIV.E.;

(8) If, contrary to the terms of Section X.B., you or any of your Owners disclose or divulge any Confidential Information;

(9) If you knowingly maintain false books or records, or submit any false reports to us;

(10) If you breach in any material respect any of the covenants, or have falsely made any of the representations or warranties, set forth in this Agreement, or if you make any material misstatement or omission in an application for this franchise or in any other information provided to us;

(11) If you fail to comply with our quality assurance program (including any applicable cure periods provided under such program);

(12) If you or any of your Owners commit three (3) events of default under this Agreement within any twelve (12) month period, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured by you after notice by us;

(13) If your assets, property or interests are 'blocked' under any law, ordinance or regulation relating to terrorist activities or if you, your Owners and/or managerial employees are otherwise in violation of any such law, ordinance or regulation; or

(14) If you or any of your Affiliates are in default of any franchise agreement, sublease or any other agreement with us or our Affiliates and fail to cure such default within the applicable cure period, if any.

C. Termination on Notice; Opportunity to Cure. Except as provided in Sections XVII.A. and XVII.B. of this Agreement, upon any default which is capable of being cured, we may terminate this Agreement by giving you written notice of termination stating the nature of the default and the time period within which the default must be cured. You may avoid termination by immediately initiating a remedy to cure such default and curing it to our satisfaction within the time period set forth below or any longer period that applicable law may require ("cure period"). If the default is not cured within the cure period, this Agreement shall terminate without further notice to you effective immediately upon the expiration of the cure period. Defaults which are susceptible of cure hereunder may include, but are not limited to, the following:

(1) If you fail to procure and maintain the insurance policies required by Section XII. and fail to cure such default within seven (7) days following notice from us;

(2) If you misuse or make any unauthorized use of the Marks or otherwise materially impair the goodwill associated therewith or our rights therein and fail to cure such default within twenty-four (24) hours following notice from us;

(3) If you fail to obtain the execution of the confidentiality and related covenants as required under Section X.F. of this Agreement within ten (10) days after we request and fail to cure such default within thirty (30) days following notice from us;

(4) If you or any of your Affiliates fail, refuse, or neglect promptly to pay any monies owed to us or any of our Affiliates when due, or fail to submit the financial or other information we require under this Agreement, and do not cure such default within five (5) days following notice from us;

(5) If you or any of your Owners fail to comply with the restrictions against competition set forth in Section X.C. of this Agreement and fail to cure such default within ten (10) days following notice from us;

(6) If you fail to maintain or observe any of the standards, specifications or procedures prescribed by us in this Agreement or otherwise in writing, and fail to cure such default within thirty (30) days following notice from us;

(7) If you fail to obtain and maintain all required licenses and/or governmental approvals to offer and sell alcoholic beverages at the Espresso Bar and fail to cure such default within thirty (30) days following notice from us.

(8) If you fail to comply with any other requirement imposed by this Agreement, or fail to carry out the terms of this Agreement in good faith and fail to cure such default within thirty (30) days following notice from us.

D. Cross Default. The termination of this Agreement shall constitute an event of default under the Sublease for which we may terminate the Sublease immediately upon written notice to you. If you own the site of the Franchise Location and we have entered into a Master Lease for the site with you, the Master Lease will remain effective upon termination of the Sublease and we will have the right to occupy and use the site or sublease the site in accordance with the terms of the Master Lease.

E. Our Right to Provide Interim Management. If we have given you notice that you are in default, or in the event of a deadlock between your Owners that, in our judgment, negatively affects the operation of the Aroma Espresso Bar, then we or our Area Representative may (but are not obligated to) assume interim management of the Espresso Bar during the pendency of any cure period or in lieu of immediately terminating this Agreement. If we elect to assume interim management of the Espresso Bar (i) our election will not relieve you of your obligations under this Agreement; (ii) neither we nor our Area Representative will be liable for any debts, losses, costs or expenses incurred in the operation of the Espresso Bar during any such interim management period; (iii) we or our Area Representative will have the right to charge a reasonable fee for our management services; and (iv) you agree to, and hereby do, indemnify and hold us and our Area Representative harmless against any and all claims, demands, judgments, fines, losses, liabilities, costs, amounts paid in settlement and reasonable expenses (including, but not limited to attorneys' fees) incurred in connection with the interim management of the Espresso Bar, other than those arising solely from our or our Area Representative's gross negligence or willful misconduct.

XVIII. POST-TERMINATION

A. Your Obligations Upon Termination. Upon the termination or expiration of this Agreement for any reason, all rights granted to you will terminate, and you must:

(1) Promptly and in an orderly fashion vacate the Franchise Location and cease to operate the Espresso Bar under this Agreement, and thereafter refrain, directly or indirectly, from representing to the public or holding yourself out as one of our present or former franchisees.

(2) Immediately and permanently cease to use, in any manner whatsoever, the Marks and any Confidential Information associated with the System. Without limitation of the foregoing, you must cease to use all signs, advertising materials, displays, stationery, forms and any other items which display the Marks.

(3) Take such action as may be necessary to cancel any assumed name, fictitious name or equivalent registration which contains the mark "Aroma Espresso Bar" or any other Mark, and furnish us with satisfactory evidence of compliance within five (5) days after termination or expiration of this Agreement.

(4) Not use any reproduction, counterfeit, copy or colorable imitation of the Marks which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Marks, nor shall you use any designation of origin or description or representation which falsely suggests or represents an association or connection with us constituting unfair competition.

(5) Promptly pay all sums owing to us and our Affiliates, and all damages, costs and expenses, including reasonable attorneys' fees and costs, incurred by us as a result of any default by you or in connection with obtaining injunctive or other relief for the enforcement of any provisions of this Article XIX., which obligation shall give rise to and remain a lien in favor of us against any and all of your assets, until such obligations are paid in full.

(6) Promptly deliver to us all Manuals, Software Programs, Confidential Information, and other materials related to the operation of the Espresso Bar in your possession or control, and all copies thereof, all of which are acknowledged to be our property, and retain no copy or record of any of the foregoing, except your copy of this Agreement and of any correspondence between you and us and any other documents which you reasonably need for compliance with any provision of law.

(7) Comply with the restrictions against the disclosure of Confidential Information and against competition contained in Article X. of this Agreement and cause any other person required to execute similar covenants pursuant to Article X. also to comply with such covenants.

(8) Promptly furnish to us an itemized list of all advertising and sales promotion materials bearing the Marks, whether located at the Espresso Bar or at any other location under your control. We will have the right to inspect these materials and the option, exercisable within thirty (30) days after such inspection, to purchase any or all of the materials at your cost. Materials we do not purchase cannot be used by you or any other person for any purpose unless authorized in writing by us.

(9) At our option, assign to us all rights to the telephone numbers of the Espresso Bar and any related Yellow Pages trademark listings, as well as all rights to any other business listings related to the Espresso Bar. You shall execute all forms and documents required by us, the telephone company, or other third party to transfer the telephone service, telephone numbers and other rights listed above to us. You hereby appoint us as our true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking all action necessary to complete such assignment. This power of attorney will survive the expiration or termination of this Agreement. After the assignment, you shall use different telephone numbers and listings at or in connection with any subsequent business you may conduct.

B. Our Post-Term Purchase Options. Upon the termination or expiration of this Agreement, we shall have the following options:

(1) The option, exercisable by giving written notice to you within sixty (60) days from the date of such termination or expiration, as applicable, to acquire the assets of the Espresso Bar from you. The date on which we notify you whether or not we are exercising our option is referred to as the "Notification Date." We will have the unrestricted right to assign this option and we or our assignee will be entitled to all customary warranties and representations in connection with the asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise; and a general release.

(2) If we exercise our option under subsection (1) to purchase the assets of the Espresso Bar from you, the purchase price for the assets will be their fair market value, determined in a manner consistent with reasonable depreciation of the Espresso Bar's leasehold improvements, equipment, fixtures, furnishings, signs, materials and supplies. The age and condition of the improvements, equipment, fixtures, furnishings, decor, and signs of the Espresso Bar, will also be considered in determining the fair market value. We may exclude from the assets we elect to purchase cash or its equivalent and any leasehold improvements, equipment, fixtures, furnishings, signs, materials and supplies that are not necessary or appropriate (in function or quality) to the Espresso Bar's operation

or that we have not approved as meeting the standards for Aroma Espresso Bars, and the purchase price will reflect such exclusions.

(3) If we and you are unable to agree on the fair market value of the Espresso Bar's assets, such fair market value will be determined by three (3) independent appraisers who collectively will conduct one (1) appraisal. We will appoint one appraiser, you will appoint one appraiser, and those appraisers will appoint the third appraiser. You and we agree to select our respective appraisers within fifteen (15) days after the Notification Date, and we and you agree that we will instruct the two appraisers so chosen to appoint the third appraiser within fifteen (15) days after the date on which the last of our appointed appraisers is appointed. You and we will each bear the cost of our own appraiser and share equally the fees and expenses of the third appraiser. We and you agree that we will instruct the three (3) appraisers to complete their appraisal within thirty (30) days after the third appraiser's appointment.

(4) The purchase price will be paid at the closing of the purchase, which will take place not later than ninety (90) days after the determination of the purchase price. We will have the right to set off against the purchase price, and thereby reduce the purchase price by, any and all amounts you or your Owners owe to us. At the closing, you agree to deliver instruments transferring to us: (i) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances, with all sales and other transfer taxes paid by you; (ii) all licenses and permits of the Espresso Bar which may be assigned or transferred; and (iii) a leasehold interest in (or unencumbered title to) the improvements, if any. If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale will be accomplished through an escrow.

(5) We may assign our options under this Section XVIII.B. to any person or entity without your consent.

XIX. YOUR REPRESENTATIONS, WARRANTIES AND COVENANTS

A. Your Investigation of this Franchise.

(1) You acknowledge that you received a complete copy of our disclosure document required by the Federal Trade Commission's Franchise Trade Regulation Rule (16 C.F.R. Part 436) within the time period required by applicable law. You further acknowledge that you have read this Agreement and our franchise disclosure document and that you understand the terms of this Agreement and accept them as being reasonably necessary for us to maintain the uniformity of Aroma Espresso Bars and to protect the goodwill of the Marks and the integrity of the System. Furthermore, you are relying solely on us, and not on any affiliated entities or parent companies related to us, with regard to our financial and other obligations under this Agreement, and no employee or other person speaking on behalf of, or otherwise representing, us has made any statement or promise to the effect that our affiliated entities or parent companies guarantee our performance or financially back us.

(2) You have conducted an independent investigation of the business contemplated by this Agreement and recognize that an investment in an Aroma Espresso Bar involves business risks; that your success is largely dependent on your own abilities and efforts; and that the nature of Aroma Espresso Bars may change over time. You recognize that we and our Area Representative have little experience in franchising Aroma Espresso Bars in the United States. You have not received or relied on any guaranty or assurance, express or implied, as to the revenues, profits or success of the business contemplated by this Agreement.

(3) You understand and agree that we may operate and change the System and our business in any manner that is not expressly and specifically prohibited by this Agreement.

(4) You acknowledge that we have the right to delegate certain of our obligations under this Agreement to an Area Representative. You agree to deal directly with any such Area Representative as our agent; provided, however, that if the directions or instructions that you receive from the Area Representative are inconsistent with or contrary to, any directions or instructions that you receive from us, you shall follow our directions and/or instructions. You further acknowledge that you will have no contractual relationship with the Area Representative by virtue of our delegation of certain of our obligations to the Area Representative.

(5) Whenever we have expressly reserved in this Agreement, or are deemed to have, a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, then except as otherwise expressly and specifically provided in this Agreement, we may make our decision or exercise our right and/or discretion on the basis of our judgment of what is in our best interests, including, without limitation, our judgment of what is in the best interests of our franchise network, at the time our decision is made or our right or discretion is exercised, without regard to whether: (i) other reasonable alternative decisions or actions could have been made by us; (ii) our decision or the action we take promotes our financial or other individual interest; (iii) our decision or the action we take applies differently to you and one or more other franchisees or our company-owned operations; or (iv) our decision or the exercise of our right or discretion is adverse to your interests. In the absence of an applicable statute, we will have no liability to you for any such decision or action. We and you intend that the exercise of our right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations hereunder.

B. Your Organization. If you are a corporation, partnership, limited liability company or other legal entity:

(1) You are duly organized and validly existing under the law of the state of your formation;

(2) You are duly qualified and authorized to do business in each jurisdiction in which your business activities or the nature of the properties you own require such qualification;

(3) Your corporate charter or written partnership or limited liability company agreement, as applicable, will at all times provide that your activities are confined exclusively to the operation of Aroma Espresso Bars. You warrant and represent that neither you nor any of your Affiliates or Owners own, operate or have any financial or beneficial interest in any business that is the same as or similar to an Aroma Espresso Bar;

(4) The execution of this Agreement and the performance of the transactions contemplated by this Agreement are within your corporate power, or if you are a partnership or a limited liability company, are permitted under your written partnership or limited liability company agreement and have been duly authorized; and

(5) You have provided to us prior to the execution of this Agreement and prior to the execution and/or filing of the Governing Documents described below, and will from time to time during the term of this Agreement provide to us prior to any proposed amendment thereto or at our request, (i) copies of your articles of incorporation and bylaws or, as applicable, your written partnership or limited liability company agreement, (ii) other governing documents, (iii) any amendments to them, (iv) resolutions authorizing your entry into and performance of this Agreement, (v) any certificates, buy-sell agreements or other documents restricting the sale or transfer of your stock or other ownership interests

and (vi) any other documents that we may reasonably request (collectively, your “Governing Documents”). Your Governing Documents must satisfy our requirements, including (a) a statement that the Aroma Espresso Bar will be operated in compliance with this Agreement and our standards and specifications; (b) the establishment of a buy/sell mechanism by which the Owners agree to sell or purchase each others’ ownership interests in the event of a deadlock, including any deadlock which negatively affects the operation of the Aroma Espresso Bar; and (c) provisions granting your Principal Owner (or General Manager if this Agreement is executed pursuant to a Development Agreement with us) full authority to act for you and on your behalf. Following our review and approval of the Governing Documents, any amendment to such Governing Documents made without our consent shall constitute a breach of this Agreement.

C. Your Owners.

(1) If you are a corporation, partnership, limited liability company or other legal entity, the ownership interests in you are accurately and completely described in Exhibit C. You agree to maintain at all times a current list of all your Owners and to make your list of Owners available to us upon request.

(2) If you are a corporation, you agree to maintain stop-transfer instructions against the transfer on your records of any of your equity securities and to conspicuously endorse each stock certificate with a statement, in a form satisfactory to us, that it is held subject to all restrictions imposed upon assignments by this Agreement. If you are a partnership or limited liability company, your written partnership or limited liability company agreement shall provide that ownership of an interest in the partnership or limited liability company is held subject to all restrictions imposed upon assignments by this Agreement.

(3) You agree to cause each of your Owners to execute the Guarantee and Assumption Agreement attached as Exhibit B to this Agreement, jointly and severally guarantying your performance under this Agreement and otherwise binding themselves to the terms of this Agreement as stated therein.

D. Your Financial Covenants.

(1) You have provided to us your most recent financial statements. These financial statements present fairly your financial position at the dates indicated therein and the results of your operations and cash flow for the years then ended. Each of the financial statements are certified as true and correct and have been prepared in conformity with generally accepted accounting principles and, except as expressly described in the applicable notes, applied on a consistent basis. There are no material liabilities, adverse claims, commitments or obligations of any nature, whether accrued, unliquidated, absolute, contingent or otherwise, which are not reflected as liabilities on the financial statements.

(2) At our request, you agree to provide us with any and all loan or other documents regarding the financing of the Espresso Bar.

(3) You agree to maintain at all times during the term of this Agreement sufficient working capital to fulfill your obligations under this Agreement.

E. Powers of Attorney. You hereby appoint us as your true and lawful attorney-in-fact, with full power and authority (i) to assign to us upon the termination or expiration of this Agreement (a) all rights to the telephone numbers of the Espresso Bar, any related Yellow Pages listings, and all rights to any website listings or services, search engines or systems, and any other business listings related to the Espresso Bar and (b) at our option, your interest in any lease for the Franchise Location and any equipment used in the operation of the Espresso Bar; and (ii) to obtain any and all returns and reports

related to the Espresso Bar that you file with any local, state or federal taxing authority. Such powers of attorney shall survive the expiration or termination of this Agreement, and you agree to execute such forms and documents as we deem necessary to appoint us your true and lawful attorney-in-fact with full power and authority for the foregoing purposes.

F. Continuing Obligations. You and you Owners make the foregoing representations, warranties and covenants understanding that such representations, warranties and covenants are continuing obligations. You agree to cooperate with us to verify your and your Owners' continuing compliance with such representations, warranties and covenants. Any failure to comply with these representations, warranties and covenants will constitute a material event of default under this Agreement.

XX. MISCELLANEOUS

A. Notices. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by facsimile or electronic mail to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to us:

Aroma Franchise Company, Inc.
20508 W Dixie Hwy
Aventura, FL 33180
Attention: CEO
Facsimile: (305) 705-2931

Notices to you and
your Owners::

Attention: _____
Facsimile: _____

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of expedited delivery service, on the next Business Day, or, in the case of or registered or certified mail, three (3) Business Days after the date and time of mailing, or, in the case of facsimile or electronic mail, upon transmission (provided confirmation is sent by expedited delivery service or registered or certified mail).

B. No Waiver. No delay, waiver, omission or forbearance on our part to exercise any right, option, duty or power arising out of any breach or default by you or your Owners under this Agreement shall constitute a waiver by us to enforce any such right, option, duty or power against you or your Owners, or as to a subsequent breach or default by you or your Owners.

C. Approval or Consent. Whenever this Agreement requires our prior approval or consent, you must make a timely written request to us, and such approval or consent shall be obtained in writing. No waiver, approval, consent, advice or suggestion given to you, and no neglect, delay or denial of any request therefor, shall constitute a warranty or guaranty by us, nor do we assume any liability or obligation to you or any third party as a result thereof.

D. Force Majeure. Upon the occurrence of an event of Force Majeure, the party affected thereby shall give prompt notice thereof to the other party, together with a description of the event, the duration for which the party expects its ability to comply with the provisions of the Agreement to be affected, and a plan for resuming operation under the Agreement, which the party shall promptly

undertake and maintain with due diligence. An affected party shall be liable for failure to give timely notice only to the extent of damage actually caused. If an event of Force Majeure shall occur, then, in addition to payments required under Section XVII.B.(4), you must continue to pay to us any and all amounts that you have duly become obligated to pay in accordance with the terms of this Agreement prior to the occurrence of such event and the Indemnitees shall continue to be indemnified and held harmless by you in accordance with Article XV. Except as provided in Section XVII.B.(4) and the immediately preceding sentence, neither party shall be held liable for a failure to comply with any terms and conditions of this Agreement when such failure is caused by an event of Force Majeure.

E. Severability. Except as expressly provided to the contrary in this Agreement, each portion, section, part, term and provision of this Agreement shall be considered severable; and if, for any reason, any portion, section, part, term or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, this shall not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms or provisions of this Agreement that may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties; the invalid portions, sections, parts, terms or provisions shall be deemed not to be part of this Agreement; and there shall be automatically added such portion, section, part, term or provision as similar as possible to that which was severed which shall be valid and not contrary to or in conflict with any law or regulation.

F. Mediation. We and you acknowledge that during the term of this Agreement certain disputes may arise that we and you are unable to resolve, but that may be resolvable through mediation. To facilitate such resolution, you and we agree to submit any claim, controversy or dispute between us, our Area Representative, or any of our Affiliates (and their respective owners, officers, directors, agents, representatives and/or employees) and you (and your owners, agents, representatives and/or employees) arising out of or related to (a) this Agreement or any other agreement between us and you, (b) our relationship with you, or (c) the validity of this Agreement or any other agreement between us and you, to mediation before bringing such claim, controversy or dispute in a court or before any other tribunal.

(1) The mediation shall be conducted by a mediator agreed upon by you and us and, failing such agreement within not more than fifteen (15) days after either party has notified the other of its desire to seek mediation, by the American Arbitration Association or any successor organization (“AAA”) in accordance with its rules governing mediation. Mediation shall be held at the offices of the AAA nearest to New York, New York. The costs and expenses of mediation, including the compensation and expenses of the mediator (but excluding attorneys’ fees incurred by either party), shall be borne by the parties equally.

(2) If the parties are unable to resolve the claim, controversy or dispute within ninety (90) days after the mediator has been chosen, then, unless such time period is extended by written agreement of the parties, either party may bring a legal proceeding pursuant to Section XX.G. we and you agree that statements made in any such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding.

(3) Notwithstanding the foregoing provisions of this Section XX.F., your and our agreement to mediate shall not apply to controversies, disputes or claims related to or based on the marks, confidential information, or monies owed pursuant to this Agreement. Moreover, regardless of your and our agreement to mediate, you and we each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief.

G. Litigation. With respect to any controversies, disputes or claims which are not finally resolved through mediation as provided in Section XX.F. above, the parties irrevocably submit themselves to the jurisdiction of the State and the Federal District Courts located in New York County in

the State of New York and hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision. You and we agree that service of process may be made upon them in any proceeding relating to or arising out of this agreement or the relationship created by this agreement by any means allowed by New York or federal law. You and we further agree that venue for any proceeding relating to or arising out of this agreement shall be New York, New York.

H. 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 or in connection with the relationship created hereby will be governed by and interpreted and construed under New York law, except for New York conflict of law rules and except that any law regulating the offer or sale of franchises, business opportunities, or similar interests or governing the relationship between franchisors and franchisees will not apply unless its jurisdictional requirements are met independently without reference to this Section.

I. PARTIES' ACKNOWLEDGMENTS. YOU AND WE ACKNOWLEDGE THAT THE AGREEMENTS REGARDING APPLICABLE STATE LAW AND FORUM SET FORTH ABOVE PROVIDE EACH OF US 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. YOU AND WE FURTHER ACKNOWLEDGE THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT.

J. WAIVER OF PUNITIVE DAMAGES. EXCEPT WITH RESPECT TO YOUR INDEMNIFICATION OBLIGATION PURSUANT TO ARTICLE XV. AND CLAIMS WE BRING AGAINST YOU FOR YOUR UNAUTHORIZED USE OF THE MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, WE AND YOU AND YOUR OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER (AND, AS TO YOU, AGAINST OUR AREA REPRESENTATIVE AND AFFILIATES) AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN YOU AND US, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

K. LIMITATIONS OF CLAIM. EXCEPT FOR CLAIMS WITH REGARD TO YOUR INDEMNIFICATION OBLIGATION PURSUANT TO ARTICLE XV., ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT WILL BE BARRED UNLESS AN ACTION IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE ACT OR EVENT GIVING RISE TO THE CLAIM OCCURRED, OR ONE (1) YEAR FROM THE DATE ON WHICH YOU OR WE KNEW OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIMS, WHICHEVER OCCURS FIRST.

L. JURY WAIVER. YOU AND WE HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVE ANY RIGHT TO A JURY TRIAL IN ANY ACTION ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, THE RELATIONSHIP CREATED BY THIS AGREEMENT, OR ANY OTHER AGREEMENTS BETWEEN YOU AND US OR YOUR AND OUR RESPECTIVE AFFILIATES. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS WRITTEN CONSENT TO A TRIAL BY THE COURT.

M. Costs And Attorneys' Fees. If we incur expenses in connection with your failure to pay when due amounts owed to us, or to submit when due any reports, information or supporting records, or otherwise to comply with this Agreement, you agree to reimburse us for any of the costs and expenses which we incur, including, without limitation, accounting, attorneys', arbitrators' and related fees.

N. Binding Effect. This Agreement is binding upon us and you and your and our respective executors, administrators, heirs, beneficiaries, assigns and successors in interest.

O. Modification of Agreement. Except for those changes permitted to be made unilaterally by us hereunder, no amendment, change or variance from this Agreement shall be binding on either you or us unless mutually agreed to and executed by our and your authorized officers or agents in writing.

P. Consents And Approvals. Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed or effected actions that require our approval.

Q. Owners. If two or more persons are at any time the "Franchisee" under this Agreement, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several.

R. Counterpart Execution. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

S. Headings. The captions used in connection with the articles, sections and subsections of this Agreement are inserted only for purpose of reference. Such captions shall not be deemed to govern, limit, modify or in any other manner affect the scope, meaning or intent of the provisions of this Agreement or any part thereof nor shall such captions otherwise be given any legal effect.

T. Survival. Any obligation of you or the Owners that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest in you, shall be deemed to survive such termination, expiration or transfer. Without limitation of the foregoing, the provisions of Sections XX.F., G. and H. will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

U. Gender. All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable.

V. Remedies Cumulative. All rights and remedies of the parties to this Agreement shall be 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 you or any of your Affiliates, and us or any of our Affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall 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 our rights pursuant to Section XVIII. of this Agreement shall not discharge or release you or any of the Owners 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.

W. No Third Party Beneficiary. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than

you, us, our officers, directors and personnel and such of your and our respective successors and assigns as may be contemplated (and, as to you, authorized by Section XV.), any rights or remedies under or as a result of this Agreement.

X. Further Assurances. You and we agree to promptly execute and deliver such further documents and take such further action as may be necessary in order to effectively carry out the intent and purposes of this Agreement.

Y. Agreement Effective Upon Execution by Us. This Agreement shall not become effective until signed by one of our authorized representatives.

Z. Entire Agreement. The preambles, attachments and exhibits to this Agreement and your application for the franchise granted pursuant to this Agreement are a part of this Agreement which, together with the Manuals, constitutes our and your entire agreement, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement; provided, however, that nothing in this or any related agreement shall disclaim or require you to waive reliance on any representation that we made in the most recent franchise disclosure document (including its exhibits and amendments) that we delivered to you or your representative, subject to any agreed-upon changes to the contract terms and conditions described in that franchise disclosure document and reflected in this Agreement (including any riders or addenda signed at the same time as this Agreement).

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative as of the date indicated below.

FRANCHISOR:

Aroma Franchise Company, Inc.,
a New York corporation

By: _____
Name: _____
Title: _____
Date: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT A

FRANCHISE LOCATION, PROTECTED AREA, AND OPENING DATE

1. DESIGNATED AREA: The non-exclusive designated area within which the Espresso Bar will be located is:

2. FRANCHISE LOCATION: The Espresso Bar shall be located at the following address:

2. PROTECTED AREA: The Protected Area shall be: **[Insert description and attach map]**

3. OPENING DATE: The Opening Date of the Espresso Bar is _____, 20__.

EXHIBIT B

OWNERS' GUARANTEE AND ASSUMPTION AGREEMENT

This Guarantee and Assumption Agreement (the "Guarantee") is given this _____ day of 20____, by the undersigned in connection with the Franchise Agreement dated _____, 20__ between Aroma Franchise Company, Inc. ("Franchisor") and _____ ("Franchisee").

In consideration of, and as an inducement to, the execution of the Franchise Agreement by Franchisor, each of the undersigned and any other parties who sign counterparts of this Guarantee (individually, a "Guarantor" and collectively, the "Guarantors") hereby personally and unconditionally guarantee to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement. Each Guarantor further agrees to assume and be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including without limitation the provisions of Articles X., XIV., XV., XVIII., XIX., and Sections XX.F. – M.

Each Guarantor waives:

- (i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; and
- (ii) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; and
- (iii) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; and
- (iv) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and
- (v) all rights to payments and claims for reimbursement or subrogation which he or she may have against Franchisee arising as a result of his or her execution of and performance under this Guarantee (including by way of counterparts); and
- (vi) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each Guarantor consents and agrees that:

- (i) his or her direct and immediate liability under this Guarantee will be joint and several not only with Franchisee, but also among the Guarantors; and
- (ii) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; and
- (iii) such liability will not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and
- (iv) such liability will not be diminished, relieved or otherwise affected by any subsequent rider or amendment to the Franchise Agreement or by any extension of time, credit or other indulgence that Franchisor may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or

performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guarantee, which will be continuing and irrevocable throughout the term of the Franchise Agreement and for so long thereafter as there are any monies or obligations owing by Franchisee to Franchisor under the Franchise Agreement; and

- (v) Franchisee’s written acknowledgment, accepted in writing by Franchisor, or the judgment of any court or arbitration panel of competent jurisdiction establishing the amount due from Franchisee will be conclusive and binding on the undersigned as Guarantors.

If Franchisor is required to enforce this Guarantee in an administrative, judicial or arbitration proceeding, and prevails in such proceeding, Franchisor will be entitled to reimbursement of its costs and expenses, including, but not limited to, legal and accounting fees and costs, administrative, arbitrators’ and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of an administrative, judicial or arbitration proceeding and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guarantee, the Guarantors will reimburse Franchisor for any of the above-listed costs and expenses incurred by it.

IN WITNESS WHEREOF, each Guarantor has hereunto affixed his signature on the same day and year as the Franchise Agreement was executed.

GUARANTORS

Name: _____

Name: _____

Name: _____

Name: _____

EXHIBIT C

STATEMENT OF OWNERSHIP INTERESTS AND MANAGEMENT PERSONNEL

1. The following is a list of all shareholders, partners, members or other investors owning a direct or indirect interest in you, and a description of the nature of their interest:

NAME	OWNERSHIP INTEREST IN YOU	NATURE OF INTEREST

2. The following is a list of all of your Owners who are signing a Confidentiality and Noncompetition Agreement in a form acceptable to us instead of signing the Owners' Guarantee and Assumption Agreement:

3. Your Principal Owner or General Manager is: _____

EXHIBIT D

**ELECTRONIC FUNDS TRANSFER
AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO**

AROMA FRANCHISE COMPANY, INC./PAYEE

BANK NAME

ACCOUNT #

ABA #

FEIN

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks, and electronic debits (collectively, "debits") drawn on such account which are payable to the above named Payee. It is agreed that Depository's rights with respect to each such debit shall be the same as if it were a check drawn and signed by the Depositor. It is further agreed that if any such debit is not honored, whether with or without cause and whether intentionally or inadvertently, Depository shall be under no liability whatsoever. This authorization shall continue in force until Depository and Payee have received at least thirty (30) days written notification from Depositor of its termination.

The Depositor agrees with respect to any action taken pursuant to the above authorization:

(1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.

(2) To indemnify Payee and the Depository for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

(3) To defend at Depositor's own cost and expense any action which might be brought by a depositor or any other persons because of any actions taken by the Depository or Payee pursuant to the foregoing request and authorization, or in any manner arising by reason of the Depository's or Payee's participation therein.

Name of Depository: _____

Name of Depositor: _____

Designated Bank Acct.: _____

(Please attach one voided check for the above account.)

Espresso Bar Location:_____

Espresso Bar #:_____

For information call:_____

Address:_____

Phone #:_____

Fax #:_____

Name of you/Depositor (please print)

By:_____

Signature and Title of Authorized Representative

Date:_____

SPECIFIC AMENDMENTS TO FRANCHISE AGREEMENT

**AMENDMENT TO AROMA FRANCHISE COMPANY, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA**

The Aroma Franchise Company, Inc. Franchise Agreement between _____ (“Franchisee” or “you”) and Aroma Franchise Company, Inc., a New York corporation (“Franchisor”) dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

CALIFORNIA LAW MODIFICATIONS

The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
- b. The Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
- c. The Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- d. The franchise agreement requires mediation. The mediation will occur at the offices of the American Arbitration Association nearest to New York, New York with the costs being borne by the parties equally (but excluding attorneys’ fees incurred by either party). 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.
- e. The Agreement requires application of the laws of Delaware This provision may not be enforceable under California law.

2. Based on our audited financial statements, as a condition to becoming registered to offer and sell franchises in the state of California, the California Department of Financial Protection and Innovation has required financial assurances. We will defer your obligation to pay all initial fees required by the Agreement until we have performed our pre-opening obligations and the franchise is open for business. Therefore, notwithstanding anything to the contrary in the Agreement, during the period that such fee deferral requirement is in effect (“Fee Deferral Period”), you will not be required to pay the initial fees until we have completed our pre-opening obligations to you and the franchise is open for business. Immediately upon notice from us that the Fee Deferral Period has ended, you must pay the initial fees as set forth Section 2 of the Agreement.

3. 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 any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20____.

FRANCHISOR:

Aroma Franchise Company, Inc.,
a New York corporation

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

**AMENDMENT TO AROMA FRANCHISE COMPANY, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS**

The Aroma Franchise Company, Inc. Franchise Agreement between _____ (“Franchisee” or “you”) and Aroma Franchise Company, Inc., a New York corporation (“Franchisor”) dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

ILLINOIS LAW MODIFICATIONS

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 *et seq.* To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Illinois Franchise Disclosure Act paragraphs 705/19 and 705/20 provide rights to You concerning nonrenewal and termination of this Agreement. If this Agreement contains a provision that is inconsistent with the Act, the Act will control.
- b. Any release of claims or acknowledgments of fact contained in the Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act shall be void and are hereby deleted with respect to claims under the Act.
- c. If this Agreement requires litigation to be conducted in a forum other than the State of Illinois, the requirement is void with respect to claims under the Illinois Franchise Disclosure Act.
- d. If this Agreement requires that it be governed by a state's law, other than the State of Illinois, to the extent that such law conflicts with the Illinois Franchise Disclosure Act, Illinois law governing claims arising under the Act will control.
- e. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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

3. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

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 any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20____.

FRANCHISOR:

Aroma Franchise Company, Inc.,
a New York corporation

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

**AMENDMENT TO AROMA FRANCHISE COMPANY, INC.
FRANCHISE AGREEMENT
FOR THE STATE MARYLAND**

The Aroma Franchise Company, Inc. Franchise Agreement between _____ (“Franchisee” or “you”) and Aroma Franchise Company, Inc., a New York corporation (“Franchisor”) dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD. ANN. CODE, BUS. REG., § 14-201 et seq. (2015 Repl. Vol.) (the “Law”). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Under the Law, the general release required as a condition of renewal, sale, and/or assignment/transfer does not apply to any liability under the Law.
- b. Any provision in the Agreement that requires you to disclaim and/or acknowledge the occurrence or nonoccurrence of any act that violates the Law as a condition to purchase a franchise, is amended to exclude such representation. Additionally, such representation will not act as a release, estoppel or waiver of any liability incurred under the Law.
- c. Any requirement that litigation be conducted in a forum other than the State of Maryland shall not be interpreted to limit any rights Franchisee may have under Section 14-216(c)(25) of the Law to bring suit in the State of Maryland.
- d. Any claims that Franchisee may have under the Law must be brought within 3 years after the grant of the franchise.

2. Section IV.A. of the Agreement is hereby supplemented by the following:

“As a condition to becoming registered to offer and sell franchises in the state of Maryland, we have agreed to defer your obligation to pay the Initial Franchise Fee under the Agreement and any fees for site evaluation, opening assistance and other services (“Initial Fees”) until we have met our material pre-opening obligations and the Aroma Espresso Bar is open. Therefore, notwithstanding anything to the contrary in Section IV.A. of the Franchise Agreement during the period that such fee deferral requirement is in effect (“Fee Deferral Period”), you will be required to pay the full Initial Fees pursuant to the Agreement when we have met our material pre-opening obligations and the Aroma Espresso Bar opens. Immediately upon notice from us that the Fee Deferral Period has ended, you must pay the full Initial Fees as provided in the Agreement.”

3. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20__.

FRANCHISOR:

Aroma Franchise Company, Inc.,
a New York corporation

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

**AMENDMENT TO AROMA FRANCHISE COMPANY, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK**

The Aroma Franchise Company, Inc. Franchise Agreement between _____ (“Franchisee” or “You”) and Aroma Franchise Company, Inc., a New York corporation (“Franchisor”) dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

NEW YORK LAW MODIFICATIONS

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the New York General Business Law, Article 33, Sections 680 through 695 (1989) (“GBL”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the GBL, regulation, rule or order under the GBL, such release shall exclude claims arising under the GBL and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the GBL be satisfied.
- b. If the Agreement requires that it be governed by the law of a state, other than the State of New York, the choice of law provision shall not be considered to waive any rights conferred upon the Franchisee under the GBL.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the New York General Business Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. 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 any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its Owners acknowledge that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20__.

FRANCHISOR:

Aroma Franchise Company, Inc.,
a New York corporation

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

EXHIBIT B-2

**DEVELOPMENT AGREEMENT
(INCLUDING STATE-SPECIFIC AMENDMENTS)**

AROMA FRANCHISE COMPANY, INC.

DEVELOPMENT AGREEMENT

Form dated: March 28, 2018

FDD dated: May 4, 2023

**AROMA FRANCHISE COMPANY, INC.
DEVELOPMENT AGREEMENT**

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EXHIBITS:

EXHIBIT A	Territory
EXHIBIT B	Franchise Agreement
EXHIBIT C	Development Schedule
EXHIBIT D	Ownership Schedule
EXHIBIT E	Owner's Guarantee And Assumption Agreement

AROMA FRANCHISE COMPANY, INC.

DEVELOPMENT AGREEMENT

This Development Agreement (the "Agreement") is made and entered into this ____ day of _____, 20__, between Aroma Franchise Company, Inc., a New York corporation ("Franchisor", "we", "us" or "our") and _____, a _____ ("Developer", "you" or "your"). Certain initially capitalized terms used in this Agreement are defined in Section XIX.

RECITALS:

We have the right to use and license the use of a system (hereinafter "System") for the development and operation of espresso bars offering coffee, coffee-related beverages (including espresso-based beverages), alcoholic and other non-alcoholic beverages, and a variety of food items ("Aroma Espresso Bars").

The System is identified by certain trade names, service marks, trademarks, emblems and indicia of origin, including, but not limited to, the mark "AROMA ESPRESSO BAR" 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 (the "Marks").

The distinguishing characteristics of the System include, without limitation, our comprehensive methods and procedures for the establishment, management and operation of Aroma Espresso Bars, including our Confidential Information, our Manuals, the Marks and other business standards and policies, the distinguishing characteristics of which include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings; special recipes and menu items; uniform 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; and advertising and promotional programs, all of which we may change, improve, further develop or otherwise modify from time to time distinctive exterior and interior design, decor, color scheme, and furnishings; proprietary and uniform standards, specifications, and procedures for operations; quality and uniformity of services and products offered; procedures for inventory, management and financial control; training and assistance; and advertising and promotional programs; all of which may be changed, deleted, improved, and further developed by us from time to time.

We license franchisees to use the Marks and the System to establish and operate Aroma Espresso Bars under Franchise Agreements with us.

Developer wishes to obtain certain rights to develop Aroma Espresso Bars in the geographic area described in, and pursuant to Franchise Agreements executed in accordance with, this Agreement;

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

I. GRANT

A. Grant of Rights. Pursuant to the terms and conditions of this Agreement and in reliance on the representations and warranties of Developer and its Owners, Franchisor grants to Developer, and Developer accepts, the right and obligation to develop Aroma Espresso Bars in the geographic area described in Exhibit A to this Agreement (the "Territory"). Such development rights shall be exercised

in accordance with Article III of this Agreement and the Development Schedule set forth in Exhibit C (the "Development Schedule"). This Agreement is not a franchise agreement and does not grant Developer any right or license to operate an Aroma Espresso Bar or any right to use the Marks.

B. Scope of Developer's Rights. Except as provided in this Agreement and subject to Developer's full compliance with this Agreement and any other agreement between Developer or its Affiliates and Franchisor or its Affiliates, neither Franchisor nor any Affiliate shall establish, or authorize any person or entity other than Developer to establish, retail espresso bars under the Marks or under any other marks in the Territory during the term of this Agreement.

C. Reserved Rights. The rights granted in this Agreement pertain only to the development of Aroma Espresso Bars. Developer acknowledges and agrees that Franchisor retains all other rights within and outside the Territory. Accordingly, except for the restriction set forth in Section I.B. against the establishment of another Aroma Espresso Bar in the Territory during the term of this Agreement, Franchisor, its Affiliates, and any other authorized person or entity shall have the right, among others:

(1) to operate, and license others to operate, Aroma Espresso Bars at any location outside the Territory and in any Reserved Area, including Espresso Bars that are adjacent to or surrounded by the Territory;

(2) within and outside the Territory to (a) develop and establish other business systems (including systems that distribute products or services similar to those offered at Aroma Espresso Bars) using other names or marks and to grant licenses to use those systems, (b) to advertise and promote the System, and (c) 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 Aroma Espresso Bar, regardless of the competitive impact, and including, but not limited to, from or through catering, delivery, temporary or seasonal facilities at special events or venues (including, without limitation, concerts, street fairs, parks, parades, sporting events, and similar venues), mail order catalogs and the Internet; and

(3) to establish and operate, and license others to establish and operate, espresso bars under the Marks and the System in the Territory, if such stores are acquired by Franchisor or its Affiliates in connection with the acquisition of an existing business operating, at the time of acquisition, under a trade name or mark other than the Marks. Franchisor shall notify Developer in writing (the "Notice") of each such acquisition in the Territory within a reasonable period of time following the consummation of the acquisition. If the offer would not result in the violation of any law or contract right and if Developer meets Franchisor's then-current requirements for a new franchisee, the Notice shall offer Developer the right and option, exercisable in writing within thirty (30) days after Developer's receipt of such Notice, to purchase from Franchisor or its Affiliate ("Seller") all (and not less than all) of the espresso bars acquired by Seller and located in the Territory at a price (the "Purchase Price") equal to the allocated cost to Seller of the subject espresso bar(s). The allocated cost shall be calculated based on the aggregate acquisition cost (including legal and other professional fees) of all espresso bars and other net assets acquired in the acquisition, whether or not in the Territory (collectively, "Total Assets") and will be computed by multiplying such aggregate acquisition cost for the Total Assets by a fraction, the numerator of which is the number of espresso bar(s) located in the Territory, and the denominator of which is the total number of espresso bars acquired in the acquisition. Unless otherwise agreed by Seller, payment of the Purchase Price shall be made in cash at closing, which shall take place within not more than sixty (60) days

following the date on which Seller receives notice that Developer exercises its option, or such other date as the parties agree in writing. At closing, Franchisor and Developer shall enter into Franchisor's then-current form of franchise agreement and pay all applicable fees for the operation of each of the espresso bars purchased by Developer. Developer shall further agree to make such repairs and renovations to the espresso bars it acquires as Franchisor shall reasonably require. Developer's failure to exercise its election in writing within the thirty (30) day option period shall constitute an election not to exercise its purchase option.

II. FEES

A. Development Fee. Developer shall pay to Franchisor a development fee in an amount equal to thirty percent (30%) of the initial franchise fee for each Aroma Espresso Bar to be developed hereunder, determined as of the date this Agreement is executed. The development fee shall be due upon execution of this Agreement, and is fully earned and non-refundable in consideration of the administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted to Developer. However, the allocable portion of the development fee (the "development fee credit") will be credited toward the initial franchise fee payable under each of the Franchise Agreements executed pursuant to this Agreement.

B. Initial Franchise Fee; Royalty. For each Franchise Agreement that Developer executes pursuant to this Agreement, Developer shall pay to Franchisor (i) an initial franchise fee in the amount of Fifty-Five Thousand Dollars (\$55,000) less the development fee credit (if any), and (ii) a royalty fee equal to seven percent (7%) of Gross Sales (as defined in the Franchise Agreement) of the Aroma Espresso Bar.

III. EXERCISE OF DEVELOPMENT RIGHTS

A. Conditions for Exercising Development Rights.

(1) Developer shall exercise its development rights only by entering into (or causing a Subsidiary Franchisee meeting the requirements set forth in Section III.B. to enter into) separate Franchise Agreements for each Aroma Espresso Bar to be developed under this Agreement. The Franchise Agreement for the first Aroma Espresso Bar to be developed under this Agreement will be in the form of Exhibit B. Franchise Agreements for all subsequent Aroma Espresso Bars developed hereunder will be the form of franchise agreement then being offered by Franchisor to new franchisees under the System; provided, that the initial franchise fee and royalty shall be as set forth in Section II.B. of this Agreement. These future franchise agreements shall be included in the term "Franchise Agreement," as used in this Agreement.

(2) This Agreement does not give Developer a right or license for any Aroma Espresso Bar, but rather, sets forth the terms and conditions which, if fully satisfied, will entitle Developer to obtain licenses for Aroma Espresso Bars in the Territory pursuant to the Franchise Agreements. Before exercising any development right granted hereunder, Developer must apply to Franchisor for the franchise to operate an Aroma Espresso Bar in the Territory. If Franchisor, in its sole discretion, determines that Developer has met each of the "operational", "financial" and "legal" conditions set forth below, then Franchisor will grant Developer the franchise.

(a) Operational Conditions: Developer is in compliance with this Agreement and Developer and its Affiliates are in compliance with any other agreement between them and Franchisor and its Affiliates. Developer (and any applicable Subsidiary Franchisee) is operating its

existing Aroma Espresso Bars, if any, in accordance with the applicable Franchise Agreement and is capable of operating the proposed Aroma Espresso Bar in accordance with this Agreement, the applicable Franchise Agreement, and Franchisor's standards, specifications, and procedures set forth in the Manuals.

(b) Financial Conditions: Developer and its Owners satisfy Franchisor's then-current financial criteria for developers and owners of Aroma Espresso Bars and have been and are faithfully performing all terms and conditions of their existing Franchise Agreements. Developer and its Affiliates are not in default, and have not been in default during the twelve (12) months preceding Developer's request for financial approval, of any monetary obligations owed to Franchisor or its Affiliates.

(c) Legal Conditions: Developer has submitted to Franchisor all information and documents requested by Franchisor as a basis for the issuance of the Franchise Agreement.

(3) Developer shall establish and maintain a reserve account (the "Development Reserve") in a bank or other financial institution reasonably acceptable to both Developer and Franchisor, in an amount not less than One Million Dollars (\$1,000,000) multiplied by the number of Aroma Espresso Bars to be developed under the Development Schedule; provided, however, that in no event shall Developer be required to maintain an amount greater than Five Million Dollars (\$5,000,000) in the Development Reserve (the "Minimum Reserve"). The Development Reserve shall be used exclusively to fund the cost of developing the Aroma Espresso Bars required to be established under the Development Schedule. At any time that the Development Reserve is less than the Minimum Reserve, Developer shall transfer into the Development Reserve such amounts necessary to maintain, on an ongoing basis, the Minimum Reserve. At Franchisor's request from time to time, Developer shall certify to Franchisor that the Development Reserve amounts meet the requirements set forth in this Section III.A.(3).

B. Subsidiary Franchisees. The Franchise Agreements to be executed under this Agreement may be executed by one or more subsidiaries of Developer ("Subsidiary Franchisee"), provided that:

(1) Developer and Developer's Owners shall retain control of each Subsidiary Franchisee during the term of the applicable Franchise Agreement. For this purpose, "control" shall mean the direct or indirect power to direct the management and policies of the Subsidiary Franchisee, including those relating to the payment of financial obligations, whether through the ownership of voting securities or interests, by contract, or otherwise, each as reasonably determined by Franchisor, and (a) if the Subsidiary Franchisee is a partnership or limited partnership, the Developer is the managing general partner of such Subsidiary Franchisee, or (b) if the Subsidiary Franchisee is a limited liability company, the Developer is the managing member of such Subsidiary Franchisee;

(2) Developer and each of Developer's Owners execute the Franchise Agreements as Owners of each Subsidiary Franchisee;

(3) The Principal Owner of each Subsidiary Franchisee is the same as the Principal Owner of Developer; and

(4) Before the execution of each Franchise Agreements, Developer and/or the Subsidiary Franchisee provides Franchisor with such information and materials as Franchisor may deem necessary to evidence the foregoing, as well as any additional organizational or other relevant information as Franchisor may require.

C. Development Schedule.

(1) The Development Schedule designates the number of Aroma Espresso Bars in the Territory to be established and in operation by Developer upon the expiration of each of the development periods designated therein (the "Development Periods"). Subject to the terms and conditions of this Agreement and with Franchisor's prior written consent, which may be withheld in its sole discretion, Developer may develop more than the total minimum number of Aroma Espresso Bars required in any Development Period. Any Aroma Espresso Bar in excess of the minimum number required to be developed during the Development Period shall be applied to satisfy Developer's development obligation during the next succeeding Development Period, if any. However, Developer shall not open or operate more than the cumulative total number of Aroma Espresso Bars Developer is obligated to develop under the Development Schedule. Developer's failure to adhere to the Development Schedule shall constitute a material event of default under this Agreement.

(2) If Developer ceases to operate any Aroma Espresso Bar during the term of this Agreement, Developer shall develop a replacement Aroma Espresso Bar within a reasonable time. If Developer transfers its interest in an Aroma Espresso Bar during the term of this Agreement, then, so long as the Espresso Bar continues to operate as an Aroma Espresso Bar, the transferred Espresso Bar shall be counted in determining whether Developer has satisfied the Development Schedule. If the transferred Espresso Bar ceases to be operated as an Aroma Espresso Bar during the term of this Agreement, Developer shall develop a replacement Aroma Espresso Bar within a reasonable time after the transferred Espresso Bar ceases to be operated as an Aroma Espresso Bar. A "reasonable time" for purposes of this section shall not exceed six (6) months after the date of the applicable occurrence.

IV. TERM

Unless sooner terminated, the term of this Agreement shall expire on the earlier of: (i) the date on which Developer has completed its development obligations under this Agreement, or (ii) 12:00 midnight on the last day specified in the Development Schedule.

V. DUTIES OF FRANCHISOR

A. Training. Franchisor shall provide training in accordance with Section VI.B. of this Agreement.

B. Manuals. Franchisor shall provide access to Franchisor's Manuals.

VI. DUTIES OF DEVELOPER

A. Management. Developer shall designate and at all times maintain one of its Owners whom Franchisor approves as its Principal Owner to oversee the operation of Developer's business. Developer shall also designate a general manager who satisfies Franchisor's qualifications and whom Franchisor approves ("General Manager") to oversee the day-to-day operations of each Espresso Bar developed pursuant to this Agreement. Each General Manager shall invest in Developer or any applicable Subsidiary Franchisee and shall have an ownership interest which Franchisor deems sufficient in its sole discretion. Developer and the Principal Owner shall remain responsible for the General Managers' performance. Developer agrees to vest the Principal Owner and any General Manager with sufficient decision making authority to expedite the determinations and decisions that are essential to effective and efficient development of Aroma Espresso Bars in the Territory. The Principal Owner must devote full time best efforts to the fulfillment of Developer's obligations under the Development

Agreement and each General Manager must develop full time best efforts to the day-to-day operation of the Espresso Bars under Franchise Agreement executed pursuant hereto. Neither the Principal Owner nor any General Manager shall engage in any other business or activity that may conflict with Developer's obligations under the Development Agreement. If Developer's relationship with the Principal Owner or a General Manager terminates or materially changes, Developer shall promptly notify Franchisor and designate a qualified replacement within thirty (30) days or such longer period as the parties may agree. During such period, Developer must provide for interim management of its operations in accordance with this Agreement. Unless otherwise approved by Franchisor, the Principal Owner shall be the same for all Franchise Agreements between Franchisor and Developer and the same as the Principal Owner designated under the Development Agreement.

B. Training.

(1) Developer's Principal Owner shall successfully complete Franchisor's initial management training program prior to the execution of any Franchise Agreement contemplated by this Agreement in accordance with Section VI.A. of the Franchise Agreement. Any General Manager and any successor or replacement Principal Owner or General Manager, also shall successfully complete Franchisor's initial management training program. In addition, all such persons and any other employees as Franchisor may require shall attend and complete any additional training that Franchisor may from time to time require. Initial management training for Developer's Principal Owner and General Managers is provided at no additional charge; however, Franchisor reserves the right to charge a reasonable fee for training successor or replacement personnel and for any additional training programs. Developer shall be responsible for any and all expenses incurred in connection with all training, including, without limitation, the costs of travel, lodging, meals and wages incurred by Developer or its Principal Owner, General Managers or other personnel. If Developer's Principal Owner or any General Manager shall, in Franchisor's sole judgment, fail to satisfactorily complete the training requirements in this Section VI.B.(1), and Developer fails to cure such default within ninety (90) days following written notice from Franchisor, Franchisor may terminate this Agreement.

(2) With Franchisor's prior written consent and subject to its then-current certification procedures and standards, Developer shall implement a training program for all employees of the Aroma Espresso Bars developed pursuant to this Agreement.

C. Internet Website.

(1) Developer agrees not to establish any website or other listing on the Internet except as provided herein.

(a) Franchisor or its Affiliates have established or may establish an Internet website that provides information about the System and the products and services offered by Aroma Espresso Bars (the "Aroma Website"). Franchisor and its Affiliates will have sole discretion and control over the Aroma Website, including timing, design, contents and continuation. Franchisor may include at the Aroma Website interior pages containing information about franchised Espresso Bars and may require Developer to prepare all or a portion of the page for its Espresso Bars, at Developer's expense, using a template that Franchisor provides, with all such information subject to Franchisor's approval prior to posting.

(b) Without Franchisor's prior written approval, which it may give or withhold in its sole discretion, Developer may not develop, create, generate, own, or otherwise use any computer and/or electronic media (including but not limited to the Internet, bulletin boards and news groups) in connection with the Espresso Bar. If Franchisor grants its approval for Developer's use of an

Internet website, Developer acknowledges that the form, content and appearance of any Internet website it uses must comply with the System standards and must be approved by Franchisor in writing before being used. Accordingly, Developer agrees that it has no authority to, and Developer will not, establish any website that creates any association with the Marks or the System, or post any advertisements or material on the Internet that depict or display the Marks or suggest an association with the System, without Franchisor's express prior written consent. Without limitation of the foregoing, if Franchisor requires, any Internet website created by or for Developer must contain a hypertext link to the Aroma Website in the form Franchisor requires, and no other hypertext links to third party Internet websites unless previously approved in writing by Franchisor. Notwithstanding Franchisor's approval of a website, Franchisor reserves the right to revoke its approval at any time that the website fails to continue to meet its standards, and Developer agrees that upon such revocation, Developer will immediately discontinue use of the website.

(c) Developer agrees that it has no authority to, and Developer will not, register any domain name in any class or category that uses or creates any association with the Marks (including any abbreviation, acronym, phonetic variation or visual variation of the Marks) or the System without Franchisor's express prior written consent. Developer must obtain Franchisor's written approval for Developer's domain name prior to use. If Franchisor requires, Developer's domain name must be registered in Franchisor's name and licensed to Developer by Franchisor, in which event, on termination or expiration of this Agreement, the license of the domain name to Developer will automatically terminate.

(2) Franchisor also has the sole right (but no obligation) to develop an Intranet through which it and its developers, franchisees and Area Representatives can communicate by e-mail or similar electronic means. If Franchisor develops an Intranet, Developer agrees to participate in strict compliance with Franchisor's standards, protocols and restrictions, including, without limitation, standards, protocols and restrictions relating to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements. Franchisor may, in its sole discretion, charge a reasonable fee for Intranet usage, which Developer agrees to pay in accordance with Franchisor's invoice.

D. Legal Compliance. Developer shall comply with all requirements of federal, state and local laws, rules, regulations, and orders. Without limiting the foregoing, you certify that neither you nor any of your Owners, employees or anyone associated with you is listed in connection with any Anti-Terrorism Law and you agree not to hire or have any dealings with a person so listed. You further certify that you have no knowledge or information that, if generally known, would result in you, your Owners, employees, or anyone associated with you being so listed. You agree to comply with and/or assist us to the fullest extent possible in our efforts to comply with the Anti-Terrorism Laws and, in connection with such compliance, you represent and warrant that none of your property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that you and your Owners are not otherwise in violation of any of the Anti-Terrorism Laws.

VII. DEVELOPER'S REPRESENTATIONS, WARRANTIES AND COVENANTS

A. Continuing Obligations. Developer and its Owners make the following representations, warranties and covenants and accept the following continuing obligations, acknowledging that any failure to comply with these representations, warranties and covenants shall constitute a material event of default under this Agreement and agreeing to cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties and covenants.

B. Organization. If Developer is a legal entity:

(1) Developer is (a) duly organized and validly existing under the law of the state of its formation and (b) is duly authorized to do business in each jurisdiction in which its business activities or the nature of the properties owned by it require such qualification;

(2) Developer's corporate charter or written partnership or limited liability company agreement shall at all times provide that the activities of Developer are confined exclusively to the development of Aroma Espresso Bars;

(3) The execution of this Agreement and the performance of the transactions contemplated hereby are within Developer's corporate power if Developer is a corporation, or if Developer is a partnership or limited liability company, permitted under Developer's written partnership or limited liability company agreement, and have been duly authorized by Developer; and

(4) Copies of Developer's organizational documents and all required consents to the execution and performance of this Agreement have been furnished to Franchisor prior to the execution of this Agreement and prior to the execution and/or filing of the Governing Documents described below, and will from time to time during the term of this Agreement provide to us prior to any proposed amendment thereto or at our request, (a) copies of your articles of incorporation and bylaws or, as applicable, your written partnership or limited liability company agreement, (b) other governing documents, (c) any amendments to them, (d) resolutions authorizing your entry into and performance of this Agreement, (e) any certificates, buy-sell agreements or other documents restricting the sale or transfer of your stock or other ownership interests and (f) any other documents that we may reasonably request (collectively, your "Governing Documents"). Your Governing Documents must satisfy our requirements, including (i) a statement that the business which is the subject of this Agreement will be operated in compliance with this Agreement and our standards and specifications; (ii) the establishment of a buy/sell mechanism by which the Owners agree to sell or purchase each others' ownership interests in the event of a deadlock, including any deadlock which negatively affects the operation of the business which is the subject of this Agreement; and (iii) provisions granting your Principal Owner full authority to act for you and on your behalf. Following our review and approval of the Governing Documents, any amendment to such Governing Documents made without our consent shall constitute a breach of this Agreement.

C. Ownership.

(1) If Developer is a legal entity, the ownership interests in Developer are accurately and completely described in Exhibit D. Developer shall promptly notify Franchisor of any ownership change and any new Owner shall execute such documents and instruments as may be required by Franchisor to be executed by others in such positions. If Developer is a corporation, Developer shall maintain at all times a current list of all owners of record and all beneficial owners of any class of voting securities in Developer or, if Developer is a partnership, limited liability company or other form of legal entity, Developer shall maintain at all times a current list of all owners of an interest in the entity. Developer shall make its list of owners available to Franchisor upon request.

(2) A corporate Developer shall maintain stop-transfer instructions against the transfer on its records of any of its equity securities and each stock certificate shall have conspicuously endorsed upon it a statement satisfactory to Franchisor that it is held subject to all restrictions upon assignments imposed by this Agreement. The written partnership or limited liability company agreement of a partnership or limited liability company Developer, shall provide that ownership of an interest in the entity is held subject to all restrictions imposed upon assignments by this Agreement;

D. Financial Matters

(1) Developer and, at Franchisor's request, each of the Owners have provided Franchisor with their most recent financial statements. Such financial statements present fairly the financial position of Developer and each of the Owners, as applicable. Each of the financial statements are certified as true and correct and have been prepared in conformity with generally accepted accounting principles applied on a consistent basis. There are no material liabilities, adverse claims, commitments or obligations of any nature which are not reflected as liabilities on the financial statements.

(2) The Owners shall jointly and severally guarantee Developer's performance of this Agreement pursuant to the terms and conditions of the Guarantee and Assumption Agreement set forth in Exhibit E, and shall otherwise bind themselves to the terms of this Agreement as stated therein.

(3) Developer shall provide Franchisor with any and all loan documents or other documentation regarding the financing of the business contemplated hereby that Franchisor may request.

(4) Developer shall maintain sufficient working capital to fulfill its obligations under this Agreement.

VIII. DEFAULT AND TERMINATION; POST-TERMINATION OBLIGATIONS

A. Termination Without Notice or Cure. Developer shall be deemed to be materially in default under this Agreement and all rights granted herein shall automatically terminate without notice to Developer if:

(1) Developer becomes insolvent or makes a general assignment for the benefit of creditors or files a voluntary petition under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state or admits in writing its inability to pay its debts when due;

(2) Developer is adjudicated bankrupt or insolvent in proceedings filed against Developer under any section or chapter of federal bankruptcy law or any similar law or statute of the United States or any state;

(3) A bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer's business or assets is filed and consented to by Developer, or if a receiver or other custodian (permanent or temporary) of Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction;

(4) Proceedings for a composition with creditors under any state or federal law are instituted by or against Developer;

(5) A final judgment against Developer remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed);

(6) Developer is dissolved;

(7) Execution is levied against Developer's business or property;

(8) Suit to foreclose any lien or mortgage against the premises or equipment of any business operated hereunder or under any Franchise Agreement is instituted and not dismissed within thirty (30) days;

(9) The real or personal property of any business operated hereunder or under any Franchise Agreement shall be sold after levy by any sheriff, marshal or constable; or

(10) Developer's assets, property or interests are 'blocked' under any law, ordinance or regulation relating to terrorist activities or Developer, its Owners and/or managerial employees are otherwise in violation of any such law, ordinance or regulation.

B. Termination on Notice. Developer shall be deemed to be materially in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Developer any opportunity to cure the default, effective immediately upon written notice to Developer, upon the occurrence of any of the following events of default:

(1) If Developer or any of the Owners is convicted of, or enters a plea of nolo contendere to, a felony, a crime involving moral turpitude or any other crime or offense that Franchisor, in its sole discretion, believes is likely to have an adverse effect on the System, the Marks, the goodwill associated therewith or Franchisor's interests therein (a "Criminal Determination"); provided, that if any Owner is the subject of a Criminal Determination, Developer may cure such default by (i) promptly notifying Franchisor that Developer intends to acquire such Owner's ownership interest in Developer, (ii) acquiring such ownership interest within a reasonable period of time, not to exceed ninety (90) days from the date of the Criminal Determination, and (iii) prohibiting such Owner from having any future involvement in the ownership or operation of the business.

(2) If a threat or danger to public health or safety results from the construction, maintenance or operation of any Aroma Espresso Bar developed under this Agreement.

(3) If Developer or any of the Owners breach in any material respect any of the representations, warranties and covenants in Section VII.

(4) If Developer or any of the Owners transfers or attempts to transfer any rights or obligations under this Agreement, or any interest in Developer or the business contemplated hereby contrary to the terms of this Agreement, or if an approved transfer upon death or permanent disability is not effected within the time period and in the manner prescribed by Section IX.F.

(5) If Developer or any of the Owners fails to comply with the covenants in Section X.

(6) If Developer or any of the Owners commits three (3) material events of default under this Agreement, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured after notice by Franchisor.

C. Termination After Notice and Opportunity to Cure. Upon the occurrence of any event set forth below, Developer shall be deemed to be materially in default, and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, by giving Developer written notice stating the nature of the default and the applicable cure period (defined below). Developer may avoid termination by curing such default to Franchisor's satisfaction within the time period set forth below or such longer period as applicable law may require ("cure period"). If a default is not cured within the cure period, Developer's rights under this Agreement shall terminate without further notice to Developer effective immediately upon the expiration of the cure period.

(1) If Developer fails to comply with the Development Schedule, or otherwise fails to satisfy its obligations set forth in Section III and fails to cure such deficiency within thirty (30) days following receipt of written notice from Franchisor (or such longer period as Franchisor may specify in the notice).

(2) If Developer or any of its Affiliates fails, refuses, or neglects promptly to pay any monies owed to Franchisor or any of its Affiliates, when due under this Agreement or any other agreement and does not cure such default within five (5) days following notice from Franchisor, or if Developer or any of its Affiliates commits any other material default under this Agreement or any other agreement between Franchisor or its Affiliates and Developer or its Affiliates and does not cure such default within the applicable cure period, if any, provided for in the applicable agreement.

(3) If Developer fails to designate a qualified replacement Principal Owner or General Manager within thirty (30) days after any initial or successor Principal Owner or General Manager ceases to serve or if any Principal Owner or General Manager fails to satisfactorily complete Franchisor's management training program and Franchisee fails to cure such default within ninety (90) days following written notice from Franchisor.

(4) If Developer fails to obtain the execution of the covenants required under Section X.G. within thirty (30) days following Franchisor's request that Developer do so.

(5) If Developer misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or with the System or Franchisor's rights therein and fails to cure such default within twenty-four (24) hours following notice from Franchisor.

(6) If Developer or any of its Affiliates are otherwise in default under any Franchise Agreement and fails to cure such default within the applicable cure period, if any, contained in such Franchise Agreement.

(7) If Developer fails to comply with any other term or condition imposed by this Agreement and fails to cure within thirty (30) days following notice from Franchisor.

D. Additional Remedies. Upon default by Developer under Section VIII.B. or C., Franchisor may elect to exercise any one or more of the following remedies in lieu of terminating this Agreement: (i) terminate or modify any territorial protections granted to Developer in Section I., (ii) reduce the size of the Territory, or (iii) reduce the number of Aroma Espresso Bars which Developer may establish pursuant to the Development Schedule.

(1) If Franchisor elects to exercise one or more of the additional remedies set forth above, Developer shall continue to develop Aroma Espresso Bars in accordance with its rights and obligations hereunder, as so modified. To the extent such rights are modified pursuant to this Section VIII.D., Developer acknowledges that Franchisor shall be entitled to establish, and to license others to establish, Aroma Espresso Bars in some or all of the Territory, except as may be otherwise provided under any Franchise Agreement which is then in effect between Franchisor and Developer.

Franchisor's exercise of any of its remedies under this Section VIII.D. shall not, constitute a waiver by Franchisor to exercise its option to terminate this Agreement at any time with respect to a subsequent event of default of a similar or different nature.

E. Effect on Franchise Agreements; Remedies Non-Exclusive.

(1) No default under this Agreement shall constitute a default under any Franchise Agreement, unless the default is also a default under the terms of such Franchise Agreement.

(2) No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or in equity.

F. Post-Termination Obligations. Upon the termination or expiration of this Agreement, Developer shall have no right to establish or operate any Aroma Espresso Bar for which a Franchise Agreement has not been executed by Franchisor and delivered to Developer at the time of termination or expiration (but may complete development of and/or operate Aroma Espresso Bars under then existing Franchise Agreements) and Franchisor may develop, or authorize others to develop, Aroma Espresso Bars in the Territory. Upon the expiration or termination of this Agreement:

(1) Developer and the Owners shall comply with the restrictions on Confidential Information contained in Section X.B. and the covenants against competition contained in Section X.D. Any other person who has executed or who was required to execute similar covenants pursuant to Section X.G. shall also comply with such covenants.

(2) Developer and the Owners shall promptly pay all sums owing to Franchisor and its subsidiaries or Affiliates. Such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of any default by Developer, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Developer and on the premises operated under any Franchise Agreement at the time of default.

(3) Developer and the Owners shall pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining any remedy available to Franchisor for any violation of this Agreement and subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section VIII.F.

IX. TRANSFER OF INTEREST

A. By Franchisor. We will have the right to transfer or assign this Agreement and all or any part of our rights or obligations under this Agreement to any person or legal entity without your consent, and upon such transfer or assignment, the transferee or assignee shall be solely responsible for all our obligations arising subsequent to the transfer or assignment. Without limitation of the foregoing, we may sell our assets to a third party; may offer our securities privately or publicly; may merge with or, acquire other corporations, or may be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring.

B. By Developer and Its Owners. Developer acknowledges that the rights and duties set forth in this Agreement are personal to Developer, and that Franchisor has granted Developer rights under this Agreement in reliance on its business skill, financial capacity and personal character and that of its Owners. Accordingly, neither Developer nor any of the Owners, nor any of your or their permitted successors or assigns, shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise dispose of or encumber any direct or indirect interest in this Agreement, in the Espresso Bar, or in Developer without Franchisor's prior written consent. Any purported assignment or transfer, by operation of law or otherwise, made in violation of this Agreement shall be null and void and shall constitute a material breach of this Agreement. If Developer wishes to transfer all or part of its interest in

the Espresso Bar or this Agreement, or if Developer or an Owner wishes to transfer any ownership interest in Developer, the transferor shall apply to Franchisor for its consent. Franchisor will not unreasonably withhold its consent but may require that Developer concurrently transfer to the same transferee all Franchise Agreements executed pursuant this Agreement as well as any or all of the following as conditions of our consent:

(1) All accrued monetary obligations of Developer and its Affiliates to Franchisor and its Affiliates arising under this Agreement or any Franchise or other agreement, shall have been satisfied in a timely manner, and Developer shall have satisfied all trade accounts and other debts of whatever nature or kind in a timely manner;

(2) Developer and its Affiliates shall not be in default of this Agreement or any Franchise or other agreement with Franchisor or its Affiliates, and Developer and its Affiliates shall have substantially and timely complied with all the terms and conditions of such agreements during their respective terms. Without limitation of the foregoing, Developer shall have established and have in operation at the time of the proposed transfer at least fifty percent (50%) of the Aroma Espresso Bars required to be developed under this Agreement;

(3) The transferor and its owners, if applicable, shall have executed a general release, in a form satisfactory to us, of any and all claims, against us, our Affiliates, our Area Representative, and our and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement and any other agreement with us or our Affiliates, and under federal, state or local laws, rules, and regulations or orders;

(4) The proposed transferee must demonstrate to our satisfaction that it meets our then-current qualifications, and, at the transferee's expense, its principal owner, Espresso Bar managers and any other personnel we require shall complete any training programs then in effect for Aroma Espresso Bars upon such terms and conditions as we may reasonably require;

(5) The transferee shall enter into a written agreement, in a form satisfactory to us, assuming full, unconditional, joint and several liability for, and agreeing to perform from the date of the transfer, all of your obligations, covenants and agreements under this Agreement;

(6) The transferee shall execute our then-current form of development agreement for a term ending on the expiration date of this Agreement. The new development agreement shall supersede this Agreement in all respects and its terms may differ from the terms of this Agreement, and if the transferee is a corporation, partnership, limited liability company or other entity, those of the transferee's owners whom we require shall guarantee its performance;

(7) The transferor shall remain liable for all of its obligations to us under this Agreement incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by us to evidence such liability;

(8) Developer must pay Franchisor a transfer fee in an amount equal to Ten Thousand Dollars (\$10,000), plus Franchisor's reasonable costs and expenses associated with the transfer, including, without limitation, training costs and legal and accounting fees and costs;

C. Transfer for Convenience of Ownership. If the proposed transfer is to a corporation or other entity formed solely for the convenience of ownership, Franchisor's consent may be conditioned upon any of the requirements in Section IX.B., except that Sections IX.B.(3), (4), (6), and (8) shall not

apply. In any transfer for the convenience of ownership, transferor must be the owner of all the voting stock or ownership interests in the new entity, or, if more than one individual, each individual shall have the same proportionate ownership interest in the new entity as he or she had in Developer before the transfer.

D. Right of First Refusal. If Developer or an Owner wishes to transfer any interest in this Agreement, the Espresso Bar, or Developer pursuant to any bona fide offer received from a third party to purchase such interest, then the proposed seller shall promptly notify Franchisor in writing of the offer, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor will have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all required documentation describing the terms of the offer, to send written notice to the seller that we intend to purchase the seller's interest on the terms and conditions offered by the third party. If Franchisor elects to purchase the seller's interest, closing shall occur on or before sixty (60) days from the later of the date of our notice to seller of our election to purchase and the date we receive all necessary permits and approvals, or any other date agreed by the parties in writing. If the third party offer provides for payment of consideration other than cash, we may elect to purchase seller's interest for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the reasonable cash equivalent, then that amount shall be determined by two (2) appraisers. Each party shall select one (1) appraiser and the average of the appraisers' determinations shall be binding. Each party shall bear its own legal and other costs and shall share the appraisal fees equally. If Franchisor exercises its right of first refusal, it will have the right to set off all appraisal fees and other amounts due from you to us or any of our Affiliates. A material change in the terms of any offer before closing shall constitute a new offer subject to the same right of first refusal as an initial offer. Franchisor's failure to exercise the option afforded by this Section IX.D. shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section IX.B. Failure to comply with this Section IX.D. shall constitute a material event of default under this Agreement.

E. Death or Permanent Disability. Developer agrees to promptly notify Franchisor of any death or claim of permanent disability subject to this Section IX.E. Any transfer upon death or permanent disability shall be subject to the following conditions, as well as to the conditions described in Section IX.B. for any inter vivos transfer.

(1) Upon Developer's death (if you are a natural person) or the death of any Owner who is a natural person (the "Deceased"), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party approved by us within six (6) months after the date of death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by us. If the distributee is not approved by us, then the distributee shall transfer such interest to a third party approved by us within six (6) months after the death of the Deceased.

(2) Upon Developer's permanent disability (if you are a natural person) or the permanent disability of any Owner who is a natural person, Franchisor may, in its sole discretion, require that person's interest to be transferred to a third party in accordance with the conditions described in this Article XV. within six (6) months after notice to Developer. "Permanent disability" shall mean any physical, emotional or mental injury, illness or incapacity which would prevent a person from performing the obligations set forth in this Agreement or in the guaranty made part of this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by us, upon examination of the person, or if the person refuses to submit to an examination, then such person automatically shall be deemed permanently disabled as of the date of such refusal for the purpose of this Section IX.E. Franchisor will pay the costs of any examination required by this Section IX.E.(2).

F. Securities Offerings. Interests in Developer shall not be offered to the public by private or public offering without Franchisor's prior written consent, which Franchisor will not unreasonably withhold. As a condition of its consent, Franchisor may, in its sole discretion, require that immediately after such offering the Owners retain a Controlling Interest in Developer. Developer agrees to give Franchisor written notice at least thirty (30) days before the commencement of any offering covered by this Section IX.F. and to submit all offering materials to Franchisor for review before they are filed with any governmental agency or distributed for use. Franchisor's review of the offering materials shall be limited solely to the subject of the relationship between Developer and Franchisor. No offering shall imply that Franchisor is participating in an underwriting, issuance or offering of securities. Franchisor may require the offering materials to contain a written statement prescribed by it concerning the relationship between Developer and Franchisor. Developer, the Owners and the other participants in the offering must fully indemnify Franchisor, its Affiliates, our and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in connection with the offering. For each proposed offering, Developer must pay Franchisor a non-refundable fee of Five Thousand Dollars (\$5,000) and reimburse Franchisor for its reasonable costs and expenses (including, without limitation, legal and accounting fees and costs) associated with reviewing the offering materials.

G. Grant of Security Interest. Neither Developer nor any of its Owners shall pledge, mortgage, encumber or grant a security interest in this Agreement, any of Developer's assets, or any ownership interest in Developer without Franchisor's prior written consent, which will not be unreasonably withheld. In connection therewith, Franchisor may condition its consent on the agreement of the secured party that, in the event of any default, Franchisor shall have the right (but not the obligation) to cure such default.

H. No Waiver. Franchisor's consent to the transfer of any interest described in this Section IX. shall not constitute a waiver of any claims which Franchisor may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand transferee's exact compliance with any of the terms of this Agreement.

X. COVENANTS

A. Best Efforts. Except as otherwise approved in writing by Franchisor, Developer, its Principal Owner and any General Manager shall devote full time, energy and best efforts to the management and operation of the business contemplated by this Agreement.

B. Confidentiality. Developer and its Owners shall not communicate or use any Confidential Information to or for the benefit of any other person or entity and, following the termination or expiration of this Agreement or the transfer of their interest herein shall not use such Confidential Information for their own benefit or the benefit of others. Developer and Owners shall disclose Confidential Information only to those of Developer's personnel who must have access to it in connection with their employment. Neither Developer nor the Owners shall at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce all or any part of the Confidential Information, in whole or in part, nor otherwise make the same available to any unauthorized person. The covenant in this Section shall survive the expiration or termination of this Agreement and shall be perpetually binding upon Developer and each of the Owners.

C. Improvements. If Developer, its Owners or any of Developer's personnel develop any improvements in the operation or promotion of the franchised business, you shall promptly notify us and provide us with all necessary related information, without compensation. Any such Improvement shall become our sole property and we shall be the sole owner of all related patents, patent applications, and other intellectual property rights. You and your Owners hereby assign to us any rights you or they may

have or acquire in the Improvements, including the right to modify the Improvement, and waive and/or release all rights of restraint and moral rights therein and thereto. You and your Owners agree to assist us in obtaining and enforcing the intellectual property rights to any such Improvement in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights. You and your Owners hereby irrevocably designate and appoint us as your and 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 Improvement. In the event that the foregoing provisions of this Section X.C. are found to be invalid or otherwise unenforceable, you and your Owners hereby grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the Improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe your or their rights therein.

D. Non-Competition/Non-Solicitation. Developer has the right and the obligation, arising from this Agreement, to develop the Territory for the benefit of the System. Developer and Owners acknowledge that, pursuant to this Agreement, they will receive valuable training, and Confidential Information which are beyond their present skills and experience and which provide a competitive advantage. Developer and Owners further acknowledge that gaining access to such specialized training, and Confidential Information is a primary reason for entering into this Agreement. In consideration therefor, Developer and the Owners covenant as follows.

(1) Except as provided in any then-currently effective Franchise Agreement or unless Franchisor otherwise approves in writing, neither Developer nor any Owner will, during the term of this Agreement or, if applicable, for so long as a person is an Owner, directly or indirectly, for itself or themselves or through, on behalf of or in conjunction with any person, association or entity:

(a) Engage or have an interest in or perform services, directly or indirectly, as a disclosed or beneficial owner, officer, director, manager, employee, consultant, area representative, agent, independent contractor, or otherwise for any Competitive Business located or operating 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 operates or licenses others to operate a business under the Marks or similar marks; or

(b) Directly or indirectly, on behalf of yourself or any other person and in any capacity, solicit, divert, take away, or interfere with any of the business, customers, clients, contractors, vendors, suppliers, or patrons of any Aroma Espresso Bar.

(2) Except as provided in any then-currently effective Franchise Agreement or unless Franchisor otherwise approves in writing, neither Developer nor any Owner will, for a continuous, uninterrupted period of two (2) years following, (i) for Developer, the expiration, termination, or transfer of all of Developer's interest in this Agreement, or (ii) for the Owners, the earlier of (a) the expiration, termination, or transfer of all of Developer's interest in this Agreement or (b) the time such person ceases to be an Owner, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person, association, or entity, engage in any activity restricted under Sections X.D.(1)(b) or (c) or own, maintain, operate, engage in, or have any financial or beneficial interest in (including as landlord), advise, assist or make loans to, any Competitive Business which is, or is intended to be, located in the Territory or within a five (5)-mile radius of the Espresso Bar or any Aroma Espresso Bar in existence or under construction during such period. In addition, neither you nor they shall engage in any business transactions with our other franchisees, Area Representatives, or our preferred, approved or

designated vendors or suppliers. You acknowledge that the enforcement of these provisions will not deprive you or them of any personal goodwill or ability to earn a living because you and they possess skills and abilities of a general nature and have other opportunities for exploiting such skills. The time period of the competitive restriction will be automatically extended by the time period of any breach of this provision.

E. Scope of Covenants. The parties acknowledge and agree that each of the foregoing covenants contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. If all or any portion of a covenant in this Section X. is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Developer and Owners 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 Section. Developer and Owners agree that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Section X.D., without their consent, effective immediately upon notice to Developer; and agree that they shall immediately comply with any covenant as so modified, notwithstanding the provisions of Section XVI. The time period set forth in Section X.D. will be tolled for any period of noncompliance.

F. Independence. Each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. Developer and the Owners expressly agree that the existence of any claims they may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section X. Developer and the Owners agree to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section X.

G. Execution by Others. If required by Franchisor, Developer shall obtain execution of a confidentiality and non-competition agreement satisfactory in form and substance to Franchisor and containing covenants similar to those set forth in this Section X., from all personnel of Developer who have received or have access to Confidential Information. and from any of Developer's Owners not required to sign the Owners' Guarantee and Assumption Agreement.

H. Injunctive Relief. Failure to comply with the requirements of this Section X. shall constitute a material event of default under this Agreement. Developer and Owners acknowledge that a violation of this Section X. would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Developer and Owners accordingly consent to the issuance of an injunction prohibiting any conduct by Developer or Owners in violation of the terms of this Section X. Developer and Owners agree to pay all court costs and reasonable legal fees incurred by Franchisor in obtaining specific performance, injunctive relief or any other remedy available to Franchisor for any violation of the requirements of this Section X.

XI. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

A. Independent Contractor. This Agreement does not create a fiduciary relationship between the parties. Developer is an independent contractor and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose. Developer shall hold itself out to the public as an independent contractor and agrees to take such action as shall be necessary to that end, including, without limitation, exhibiting a notice in a form specified by Franchisor in a conspicuous place in any Aroma Espresso Bar established under a Franchise Agreement. Nothing in this Agreement authorizes Developer or any Controlling Principal to make any contract, agreement, warranty or representation on

Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and Franchisor assumes no liability for, and shall not be deemed liable under this Agreement as a result of, any such action, or for any act or omission of Developer or the Owners or any claim or judgment arising therefrom. All employees hired by you or working for you will be your or your Affiliate's employees and will not, for any purpose, be deemed our employees or employees of any of our Affiliates, nor will they be subject to our control. We have no authority to hire, fire, promote, or demote any of your or your Affiliate's employees or take any disciplinary action whatsoever against any of them. Additionally, you must communicate to all employees that you, not us, is their employer; and you must ensure that no payroll checks or other employment-related documents (such as job applications and W-2s) contain or reference the Marks or our name. Each of the parties will file its own tax, regulatory, and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

B. Indemnification. You agree to indemnify, defend and hold harmless us, our Affiliates, our Area Representative, and our and their respective shareholders, directors, officers, employees, agents, successors and assignees (the "Indemnified Parties") against, and to reimburse any one or more of the Indemnified Parties for, any and all claims, and liabilities directly or indirectly arising out of your employment relationship with your employees, the development or operation of the Espresso Bar, or your breach of this Agreement, without limitation and without regard to the cause or causes thereof or the negligence (whether such negligence be sole, joint or concurrent, or active or passive) or strict liability of us or any other party or parties in connection therewith. Notwithstanding the foregoing, this indemnity shall not apply to any liability arising from our gross negligence or willful misconduct, except to the extent that joint liability is involved, in which event the indemnification provided herein shall extend to any finding of comparative or contributory negligence attributable to you, your Owners, officers, directors, employees, independent contractors or Affiliates. For purposes of this indemnification, "claims" includes all obligations, damages (actual, consequential, exemplary or other) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including, without limitation, accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses. We have the right to defend any such claim against us. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Under no circumstances will we or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate our, their or your losses and expenses, in order to maintain and recover fully a claim against you. You agree that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts we or another Indemnified Party may recover from you. The terms of this Article XI.B. shall survive the termination, expiration or transfer of this Agreement or any interest herein.

XII. APPROVALS

Whenever this Agreement requires the prior approval or consent of Franchisor, Developer shall make a timely written request to Franchisor and shall obtain such approval or consent in writing. No waiver, approval, consent, advice or suggestion given to Developer, and no neglect, delay or denial of any request therefor, shall constitute a warranty or guaranty by Franchisor, nor does Franchisor assume any liability or obligation to Developer or any third party as a result thereof.

XIII. NON-WAIVER AND REMEDIES

A. No Waiver. No delay, waiver, omission or forbearance of Franchisor to exercise any right, option, duty or power arising out of any breach or default by Developer or Owners shall constitute a waiver by Franchisor to enforce any such right, option, duty or power against Developer or Owners, or as to a subsequent breach or default. Franchisor's acceptance of any payments due hereunder subsequent

to the due date shall not be deemed to be a waiver by Franchisor of any preceding breach of any terms, provisions, covenants or conditions of this Agreement.

B. Remedies Cumulative. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies provided for herein or available at law or in equity. The rights and remedies of the parties to this Agreement shall be continuing and shall 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. Neither the expiration or termination of this Agreement nor the exercise of Franchisor's rights pursuant to Section VIII. hereof shall discharge or release Developer or any Controlling Principal from any liability or obligation then accrued, continuing beyond, or arising out of, the expiration or termination of this Agreement or the exercise of such rights.

C. Enforcement Costs. In any action or dispute, at law or in equity, that may arise under or otherwise relate to the terms of this Agreement, the prevailing party will be entitled to full reimbursement of its litigation expenses from the other party. Litigation expenses include attorneys' fees, defense costs, witness fees and other related expenses including paralegal fees, travel and lodging expenses and court costs.

XIV. NOTICES

Notices. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by facsimile or electronic mail to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:

Aroma Franchise Company, Inc.
20508 W Dixie Hwy
Aventura, FL 33180
Attention: CEO
Facsimile: (305) 705-2931

Notices to Developer and
the Owners:

Attention: _____
Facsimile: _____

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of expedited delivery service, on the next Business Day, or, in the case of or registered or certified mail, three (3) Business Days after the date and time of mailing, or, in the case of facsimile or electronic mail, upon transmission (provided confirmation is sent by expedited delivery service or registered or certified mail).

XV. SEVERABILITY AND CONSTRUCTION

A. Severability. Except as expressly provided to the contrary herein, each portion, section, part, term and provision of this Agreement shall be considered severable; and if, for any reason, any portion, section, part, term or provision is determined by a court or agency having valid jurisdiction to be invalid and contrary to, or in conflict with, any existing or future law or regulation, this shall not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms or provisions of this Agreement that may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties; the invalid portions, sections, parts, terms or provisions shall be deemed not to be part of this Agreement; and there shall automatically be added such portion, section, part, term or provision as similar as possible to that which was severed which shall be valid and not contrary to or in conflict with any law or regulation.

B. No Third Party Beneficiary. Nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Developer and Franchisor, Franchisor's Affiliates, officers, directors and employees and such of Developer's and Franchisor's respective successors and assigns as may be contemplated (and, as to Developer, authorized by Section IX), any rights or remedies under or as a result of this Agreement.

C. Captions. All captions in this Agreement are intended solely for the convenience of the parties and shall not affect the meaning or construction of any provision of this Agreement.

D. Gender. All references to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable. Without limiting the obligations individually undertaken by the Owners under this Agreement, all acknowledgments, promises, covenants, agreements and obligations made or undertaken by Developer in this Agreement shall be deemed, jointly and severally, undertaken by all of the Owners.

E. Counterpart Execution. This Agreement may be executed in multiple counterparts and each copy so executed shall be deemed an original.

XVI. ENTIRE AGREEMENT

This Agreement, the documents referred to herein and the Exhibits hereto, constitute the entire, full and complete agreement between the parties hereto concerning the subject matter hereof and shall supersede all prior related agreements. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require Developer to waive reliance on any representation that Franchisor made in the most recent Franchise Disclosure Document (including its exhibits and amendments) that Franchisor delivered to Developer or its representative before the execution of this Agreement. No officer or employee or agent of Franchisor has any authority to make any representation or promise not contained in this Agreement or in any disclosure document for prospective developers and franchisees required by applicable law, and Developer agrees that it has executed this Agreement without reliance on any such representation or promise. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

XVII. DISPUTE RESOLUTION; GOVERNING LAW

A. Mediation. We and you acknowledge that during the term of this Agreement certain disputes may arise that we and you are unable to resolve, but that may be resolvable through mediation. To facilitate such resolution, you and we agree to submit any claim, controversy or dispute between us, our Area Representative, or any of our Affiliates (and their respective owners, officers, directors, agents,

representatives and/or employees) and you (and your owners, agents, representatives and/or employees) arising out of or related to (a) this Agreement or any other agreement between us and you, (b) our relationship with you, or (c) the validity of this Agreement or any other agreement between us and you, to mediation before bringing such claim, controversy or dispute in a court or before any other tribunal.

(1) The mediation shall be conducted by a mediator agreed upon by you and us and, failing such agreement within not more than fifteen (15) days after either party has notified the other of its desire to seek mediation, by the American Arbitration Association or any successor organization (“AAA”) in accordance with its rules governing mediation. Mediation shall be held at the offices of the AAA nearest to New York, New York. The costs and expenses of mediation, including the compensation and expenses of the mediator (but excluding attorneys’ fees incurred by either party), shall be borne by the parties equally.

(2) If the parties are unable to resolve the claim, controversy or dispute within ninety (90) days after the mediator has been chosen, then, unless such time period is extended by written agreement of the parties, either party may bring a legal proceeding pursuant to Section XVII.B. we and you agree that statements made in any such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding.

(3) Notwithstanding the foregoing provisions of this Section XVII.A., your and our agreement to mediate shall not apply to controversies, disputes or claims related to or based on the marks, the confidential information, or monies owed pursuant to this Agreement. Moreover, regardless of your and our agreement to mediate, you and we each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief.

B. Litigation. With respect to any controversies, disputes or claims which are not finally resolved through mediation as provided in Section XVII.A. above, the parties irrevocably submit themselves to the jurisdiction of the State and the Federal District Courts located in New York County in the State of New York and hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision. You and we agree that service of process may be made upon them in any proceeding relating to or arising out of this agreement or the relationship created by this agreement by any means allowed by New York or federal law. You and we further agree that venue for any proceeding relating to or arising out of this agreement shall be New York, New York.

C. 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 or in connection with the relationship created hereby will be governed by and interpreted and construed under New York law, except for New York conflict of law rules and except that any law regulating the offer or sale of franchises, business opportunities or similar interests or governing the relationship between franchisors and franchisees will not apply unless its jurisdictional requirements are met independently without reference to this Section.

D. Parties’ Acknowledgments. You and we acknowledge that the agreements regarding applicable state law and forum set forth above provide each of us 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. You and we further acknowledge the receipt and sufficiency of mutual consideration for such benefit.

E. **WAIVER OF PUNITIVE DAMAGES. EXCEPT WITH RESPECT TO YOUR INDEMNIFICATION OBLIGATION PURSUANT TO ARTICLE XI. AND CLAIMS WE BRING AGAINST YOU FOR YOUR UNAUTHORIZED USE OF THE MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, WE**

AND YOU AND YOUR OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER (AND, AS TO YOU, AGAINST OUR AREA REPRESENTATIVE AND AFFILIATES) AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN YOU AND US, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

F. LIMITATIONS OF CLAIM. EXCEPT FOR CLAIMS WITH REGARD TO YOUR INDEMNIFICATION OBLIGATION PURSUANT TO ARTICLE XV., ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT WILL BE BARRED UNLESS AN ACTION IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE ACT OR EVENT GIVING RISE TO THE CLAIM OCCURRED, OR ONE (1) YEAR FROM THE DATE ON WHICH YOU OR WE KNEW OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIMS, WHICHEVER OCCURS FIRST.

G. JURY WAIVER. YOU AND WE HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVE ANY RIGHT TO A JURY TRIAL IN ANY ACTION ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, THE RELATIONSHIP CREATED BY THIS AGREEMENT, OR ANY OTHER AGREEMENTS BETWEEN YOU AND US OR YOUR AND OUR RESPECTIVE AFFILIATES. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS WRITTEN CONSENT TO A TRIAL BY THE COURT.

H. Costs And Attorneys' Fees. If we incur expenses in connection with your failure to pay when due amounts owed to us, or to submit when due any reports, information or supporting records, or otherwise to comply with this Agreement, you agree to reimburse us for any of the costs and expenses which we incur, including, without limitation, accounting, attorneys', arbitrators' and related fees.

XVIII. DEVELOPER'S ACKNOWLEDGMENTS.

A. Independent Investigation. Developer acknowledges that it has conducted a thorough independent investigation of the business venture contemplated by this Agreement and recognizes that the success of this business venture involves substantial business risks and will largely depend upon the ability and efforts of Developer. Franchisor expressly disclaims making, and Developer acknowledges that it has not received or relied on, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

B. Consultation. Developer acknowledges that Developer has received, read and understands this Agreement and the related Exhibits and that Franchisor has afforded Developer sufficient time and opportunity to consult with advisors selected by Developer about the potential benefits and risks of entering into this Agreement.

C. FTC Rule Compliance. Developer acknowledges that it received a complete copy of Franchisor's franchise disclosure document required by the Federal Trade Commission's Franchise Trade Regulation Rule (16 C.F.R. Part 436) within the time period required by applicable law.

D. **Franchisor's Obligations.** Developer acknowledges that it is relying solely on Franchisor, and not on any Affiliated entities or parent companies related to Franchisor, 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 Franchisor's Affiliated entities or parent companies guarantee Franchisor's performance or financially back Franchisor.

XIX. DEFINITIONS

A. An "Affiliate" of a named person is any person or entity that is controlled by, controlling or under common control with such named person.

B. "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

C. "Competitive Business" means any espresso bar, catering or food and beverage facility featuring coffee, coffee-related beverages (including espresso-based beverages), alcoholic and other non-alcoholic beverages, and other food items now or in the future offered by Aroma Espresso Bars. A Competitive Business also includes any business acting as an area representative, franchise broker, business broker, or the like for Competitive Businesses. Restrictions contained in this Agreement on competitive activities do not apply to: (a) the ownership, operation or franchising of Aroma Espresso Bars by or pursuant to agreements with, or authorizations from Franchisor or its Affiliates; or (b) the ownership of shares of a class of securities that are listed on the U.S. stock exchange or traded on the over-the-counter market and that represent less than five percent (5%) of that class of securities.

D. "Confidential Information" means all proprietary and confidential information relating to the establishment and operation of Aroma Espresso Bars, including, without limitation our: (i) standards and specifications, including equipment, product, and supplier standards and specifications; (ii) site selection criteria; (iii) recipes; (iv) advertising and marketing plans and programs; (v) research, development and test programs for products, services and operations; (vi) the contents of our Manuals; (vii) knowledge of the operating and financial results of Aroma Espresso Bars, other than your Espresso Bar; (viii) computer programs and systems, including electronic data files and passwords. Confidential Information also includes Improvements (as defined in Section X.C.).

E. "General Manager" has the meaning given to it in Section VI.A. of this Agreement. The General Manager must at all times own, free and clear of all encumbrances, at least twenty-five percent (25%) of the outstanding stock or other ownership interests in you.

F. "Manual" or "Manuals" means Franchisor's confidential operations manual, as further defined in the Franchise Agreement.

G. "Owners" means those persons and entities which, collectively and individually, hold an ownership interest in Developer and in any entity directly or indirectly controlling Developer.

H. "Principal Owner" has the meaning given to it in Section VI.A. of this Agreement. The Principal Owner must at all times own, free and clear of all encumbrances, at least twenty-five percent (25%) of the outstanding stock or other ownership interests in you.

I. "Reserved Area" means any enclosed shopping center, amusement parks, theme parks, sports stadiums and arenas, airports, train stations, hospitals, schools, hotels, office buildings, and military bases.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement on the day and year first above written; provided, that this Agreement shall not become effective until signed by an authorized officer of Franchisor.

FRANCHISOR:

Aroma Franchise Company, Inc.,
a New York corporation

By: _____
Name: _____
Title: _____

DEVELOPER:

By: _____
Name: _____
Title: _____

EXHIBIT A

DESCRIPTION OF TERRITORY

EXHIBIT B

FRANCHISE AGREEMENT

(See Exhibit B-1 to Franchise Disclosure Document)

EXHIBIT C

DEVELOPMENT SCHEDULE

Development Period	Expiration Date of Development Period	Cumulative Total Number of Aroma Espresso Bars in the Territory Which Developer Shall Have Open and in Operation
1		3
2		6
3		9
4		12
5		15

EXHIBIT D

OWNERSHIP SCHEDULE

- A. The following is a list of all of Developer's Owners, including all shareholders, partners, members or other investors owning a direct or indirect interest in Developer, and a description of the nature of their interest:

NAME	INTEREST IN DEVELOPER	NATURE OF INTEREST

- B. Developer's Principal Owner is: _____

- C. Developer's Manager(s) are:

EXHIBIT E

OWNERS GUARANTEE AND ASSUMPTION AGREEMENT

Each of the undersigned acknowledges and agrees as follows:

(1) Each has read the terms and conditions of the Development Agreement and acknowledges that the execution of this Guarantee and Assumption Agreement ("Guarantee") and the undertakings of the Owners in the Development Agreement are in partial consideration for, and a condition to, the granting of the development rights in the Development Agreement, and that Franchisor would not have granted such rights without the execution of this Guarantee and such undertakings by each of the undersigned;

(2) Each is the owner, directly or indirectly, of a beneficial interest in Developer;

(3) Each individually, jointly and severally, makes all of the covenants, representations, warranties and agreements of the Owners set forth in the Development Agreement and is obligated to perform thereunder. THESE INCLUDE A NUMBER OF PROVISIONS THAT MAY AFFECT THE LEGAL RIGHTS OF THE UNDERSIGNED, INCLUDING A WAIVER OF JURY TRIAL, WAIVER OF PUNITIVE OR EXEMPLARY DAMAGES AND LIMITATIONS ON WHEN CLAIMS MAY BE RAISED; and

(4) Each individually, jointly and severally, unconditionally and irrevocably guarantees to Franchisor and its successors and assigns that all of Developer's obligations under the Development Agreement will be punctually paid and performed. This Guarantee is a guaranty of payment, and not of collection. Upon default by Developer or upon notice from Franchisor, each will immediately make each payment and perform each obligation required of Developer under the Development Agreement. Without affecting the obligations of any of the Owners under this Guarantee, Franchisor may, without notice to the Owners, waive, renew, extend, modify, amend or release any indebtedness or obligation of Developer or settle, adjust or compromise any claims that Franchisor may have against Developer. Each of the Owners waives all demands and notices of every kind with respect to the enforcement of this Guarantee, including, without limitation, notice of presentment, demand for payment or performance by Developer, any default by Developer or any guarantor and any release of any guarantor or other security for this Guarantee or the obligations of Developer. Franchisor may pursue its rights against any of the Owners without first exhausting its remedies against Developer and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy. Upon receipt by Franchisor of notice of the death of any of the Owners, the estate of the deceased will be bound by the foregoing guaranty, but only for defaults and obligations under the Development Agreement existing at the time of death, and in such event, the obligations of the remaining Owners shall continue in full force and effect.

Additionally, the individual(s) designated as Principal Owner acknowledges that the undertakings by Principal Owner under this Guarantee are made and given in partial consideration of, and as a condition to, Franchisor's grant of rights to develop Aroma Espresso Bars as described herein; Principal Owner individually, jointly and severally, makes all of the covenants, representations and agreements of Developer and Principal Owner set forth in the Development Agreement and is obligated to perform hereunder.

OWNERS:

* Name:

Name:

* Denotes Individual who is Developer's Principal Owner
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**AMENDMENT TO AROMA FRANCHISE COMPANY, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF CALIFORNIA**

The Aroma Franchise Company, Inc. Development Agreement between _____ (“Developer” or “you”) and Aroma Franchise Company, Inc., a New York corporation (“Franchisor or “us”) dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

CALIFORNIA LAW MODIFICATIONS

1. The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. California Business and Professions Code Sections 20000 through 20043 provide rights to the Developer concerning termination, transfer or non-renewal of a franchise. If the Agreement contains a provision that is inconsistent with the law, the law will control.
- b. The Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
- c. The Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- d. The Agreement requires mediation. The mediation will occur at the offices of the American Arbitration Association nearest to New York, New York with the costs being borne by the parties equally (excluding attorneys’ fees incurred by either party). Developers 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 development agreement restricting venue to a forum outside the State of California.
- e. The Agreement requires application of the laws of Delaware. This provision may not be enforceable under California law.

2. Based on our audited financial statements, as a condition to becoming registered to offer and sell franchises in the state of California, the California Department of Financial Protection and Innovation has required financial assurances. We will defer your obligation to pay all initial fees required by the Agreement until we have performed our pre-opening obligations and the franchise is open for business. Therefore, notwithstanding anything to the contrary in the Agreement, during the period that such fee deferral requirement is in effect (“Fee Deferral Period”), you will not be required to pay the initial fees until we have completed our pre-opening obligations to you and the franchise is open for business. Immediately upon notice from us that the Fee Deferral Period has ended, you must pay the initial fees as set forth Section 2 of the Agreement.

3. 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 any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor.

IN WITNESS WHEREOF, the Developer on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20__.

FRANCHISOR:

Aroma Franchise Company, Inc.,
a New York corporation

By: _____

Name: _____

Title: _____

DEVELOPER:

By: _____

Name: _____

Title: _____

**AMENDMENT TO AROMA FRANCHISE COMPANY, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF ILLINOIS**

The Aroma Franchise Company, Inc. Development Agreement between _____ (“Developer” or “you”) and Aroma Franchise Company, Inc., a New York corporation (“Franchisor or “us”) dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

ILLINOIS LAW MODIFICATIONS

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 *et seq.* To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Illinois Franchise Disclosure Act paragraphs 705/19 and 705/20 provide rights to you concerning nonrenewal and termination of this Agreement. If this Agreement contains a provision that is inconsistent with the Act, the Act will control.
- b. Any release of claims or acknowledgments of fact contained in the Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act shall be void and are hereby deleted with respect to claims under the Act.
- c. If this Agreement requires litigation to be conducted in a forum other than the State of Illinois, the requirement is void with respect to claims under the Illinois Franchise Disclosure Act.
- d. If this Agreement requires that it be governed by a state's law, other than the State of Illinois, to the extent that such law conflicts with the Illinois Franchise Disclosure Act, Illinois law governing claims arising under the Act will control.
- e. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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

3. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

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 any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor.

IN WITNESS WHEREOF, the Developer on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20____.

FRANCHISOR:

Aroma Franchise Company, Inc.,
a New York corporation

By: _____

Name: _____

Title: _____

DEVELOPER:

By: _____

Name: _____

Title: _____

**AMENDMENT TO AROMA FRANCHISE COMPANY, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF MARYLAND**

The Aroma Franchise Company, Inc. Development Agreement between _____ (“Developer” or “you”) and Aroma Franchise Company, Inc., a New York corporation (“Franchisor or “us”) dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD. ANN. CODE, BUS. REG., § 14-201 et seq. (2015 Repl. Vol.). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. The Developer is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act. Such release shall exclude claims arising under the Maryland Franchise Registration and Disclosure Law, and such acknowledgments shall be void with respect to claims under the Law.
- b. Any requirement that litigation be conducted in a forum other than the State of Maryland shall not be interpreted to limit any rights Developer may have under Section 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law to bring suit in the State of Maryland.
- c. Any claims that Developer may have under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

2. Section II.A. of the Agreement is hereby supplemented by the following:

“As a condition to becoming registered to offer and sell franchises in the state of Maryland, we have agreed to defer your obligation to pay the Development Fee under the Development Agreement, the Initial Franchise Fee under the Franchise Agreement and any fees for site evaluation, opening assistance and other services (“Initial Fees”) until we have met our material pre-opening obligations and the Aroma Espresso Bar is open. Therefore, notwithstanding anything to the contrary in Section II.A. of the Agreement during the period that such fee deferral requirement is in effect (“Fee Deferral Period”), you will not be required to pay the Development Fee, but, instead, will be required to pay the full Initial Fees pursuant to the Franchise Agreement when we have met our material pre-opening obligations and the Aroma Espresso Bar opens. Immediately upon notice from us that the Fee Deferral Period has ended, you must pay all accrued but unpaid portions of the Development Fee and any other Initial Fees.”

3. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Developer on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20__.

FRANCHISOR:

Aroma Franchise Company, Inc.,
a New York corporation

By: _____

Name: _____

Title: _____

DEVELOPER:

By: _____

Name: _____

Title: _____

**AMENDMENT TO AROMA FRANCHISE COMPANY, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF NEW YORK**

The Aroma Franchise Company, Inc. Development Agreement between _____ (“Developer” or “you”) and Aroma Franchise Company, Inc., a New York corporation (“Franchisor or “us”) dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

NEW YORK LAW MODIFICATIONS

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If the Developer is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release shall exclude claims arising under the New York General Business Law, Article 33, Section 680 through 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.
- b. If the Agreement requires that it be governed by the law of a state, other than the State of New York, the choice of law provision shall not be considered to waive any rights conferred upon the Developer under the New York General Business Law, Article 33, Sections 680 through 695.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the New York General Business Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. 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 any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor.

IN WITNESS WHEREOF, the Developer on behalf of itself and its Owners acknowledge that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20__.

FRANCHISOR:

Aroma Franchise Company, Inc.,
a New York corporation

By: _____

Name: _____

Title: _____

DEVELOPER:

By: _____

Name: _____

Title: _____

EXHIBIT C

LIST OF FRANCHISED OUTLETS

**LIST OF FRANCHISED OUTLETS
AS OF DECEMBER 31, 2022**

FLORIDA

Cafe Collins 16, LLC (Lowe's)

1601 Collins Avenue
Miami Beach, FL 33139
Baruch Shelomovitz, President
Phone: 305-397-8685

Cafe Miami Gardens, LLC

2491 NE 186th Street
Miami, Florida 33180
Baruch Shelomovitz, President
Phone: 305-397-8685

Canvas Cafe, LLC

1630 Northeast 1st Avenue
Miami, FL 33132
Phone: TBD

NEW JERSEY

Coffee at GSP, LLC

One Garden State Plaza
Space 1178
Paramus, NJ 07652
Arik Eshel, Member,
Eran Keren, Member
Phone: 201-556-1700

*Franchise Agreement signed, but Espresso Bar
not open.

EXHIBIT D

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

**LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM
AS OF DECEMBER 31, 2022**

Listed below is the name, city and state, and current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who has had an franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement, during the most recently completed fiscal year.

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

None.

EXHIBIT E

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EXHIBIT F
FORM OF SUBLEASE

REAL PROPERTY SUBLEASE

THIS SUBLEASE is made and entered into by and between AROMA FRANCHISE COMPANY, INC., a New York corporation, with its principal office at 20920 W Dixie Hwy, Aventura, FL 33180 (“Sublessor”) and _____ (“Sublessee”) with reference to the following facts:

A. Sublessor, as tenant, and _____ [insert name] (the “Head Landlord”), as landlord, entered into that certain lease (the “Master Lease”) dated _____ [insert date], for the premises commonly known as _____ [insert address] (the “Premises”), a copy of which is attached hereto or has previously been given to the Sublessee and is incorporated herein by reference, insofar as the same contains duties and obligations which Sublessee must perform or covenants with which Sublessee must comply.

B. Contemporaneously herewith, Sublessor and Sublessee have executed that certain Franchise Agreement (the “Franchise Agreement”) on _____ [insert date], pursuant to which Sublessor has granted to Sublessee the right to operate a “Aroma Espresso Bar” (the “Espresso Bar”).

C. Sublessee desires to sublease the Premises from Sublessor and Sublessor desires to sublease the same to Sublessee, all on terms and conditions herein contained.

ARTICLE 1. DEMISE AND DESCRIPTION OF PROPERTY

1.1. Grant. Sublessor hereby subleases to Sublessee, and Sublessee hereby subleases from Sublessor, on the terms and subject to the conditions and covenants set forth, the Premises.

1.2. Certain Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

“Abandon” or “Abandonment” shall refer to (i) Sublessee’s failure, at any time during the term hereof to keep the Espresso Bar open and operating for business, (ii) Sublessee’s failure to keep the Espresso Bar open and operating for any period after which it is not unreasonable under the facts and circumstances for Sublessor to conclude that Sublessee does not intend to continue to operate the franchise, unless such failure to operate is due to an occurrence of an event of Force Majeure, (iii) failure to actively and continuously maintain and answer Sublessee’s telephone and email, or (iv) any event or circumstance constituting “abandonment” under the terms of the Master Lease.

“Applicable Law” means and includes applicable common law and all applicable statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority governing the operation of the Espresso Bar, including all immigration, labor, disability, food and drug laws, health and safety regulations, and the Americans With Disabilities Act requirements, as in effect on the Effective Date hereof, and as may be amended from time to time.

“Assign” or “Assignment” shall include any sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of any direct or indirect interest in this Sublease, and if Sublessee is a Business Entity, any sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of 50% or more of the outstanding and issued stock or other ownership interest of Sublessee by one or more transfers or any other event(s) or transaction(s) which, directly or indirectly, effectively changes management control of Sublessee.

“Business Entity” means any general partnership or limited partnership (each of which shall be referred to as a “Partnership”), limited liability company, and any trust, association, corporation or other entity which is not an individual.

“Effective Date” shall mean the date on which this Agreement has been executed by all of the parties hereto; provided that if Head Landlord’s consent is required under the Master Lease to the subleasing of the Subleased Premises as described herein Head Landlord’s consent to this Sublease must be obtained before this Sublease is effective.

“Espresso Bar” shall have the meaning given that term in Recital B above.

“Force Majeure” means acts of God, war, acts of terrorism, riot, epidemic, fire or other catastrophes beyond a party’s control.

“Franchise Agreement” shall have the meaning given that term in Recital B above.

“Governmental Authority” means and includes all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

“Head Landlord” shall have the meaning given that term in Recital A above.

“Master Lease” shall have the meaning given that term in Recital A above.

“Premises” shall have the meaning given that term in Recital A above.

ARTICLE 2.

TERM

The term of this Sublease shall be for that period, commencing on the Effective Date and terminating 1 day prior to the expiration or termination for any reason of the Master Lease.

ARTICLE 3.

USE OF PREMISES

The Premises shall be used by Sublessee only for the purpose of operating the Espresso Bar pursuant to the terms and conditions of the Franchise Agreement and for no other purpose whatsoever.

ARTICLE 4.

RENT

4.1. Commencing on the Effective Date, Sublessee shall pay to Sublessor (or such other party as Sublessor may designate) as rent for the Premises, without notice, demand, deduction, counterclaim or set-off at such place or places as Sublessor may designate in writing from time to time:

4.1.1. on the first day of each calendar month, the rent required to be paid by Sublessor pursuant to the Master Lease from and after the commencement date of this Sublease, including all base, minimum, percentage and additional rent, as the same may increase or decrease from time to time pursuant to the Master Lease; and

4.1.2. in the manner provided pursuant to Paragraph 4.4 below, all other charges required to be paid by Sublessor pursuant to the Master Lease from and after the Effective Date of this Sublease, including, without limitation, taxes, insurance, deposits, common area maintenance charges, association dues, utilities, merchants’ association dues and construction charge backs.

4.2. If any installment of rent or any other sum due from Sublessee shall not be received by Sublessor or Sublessor’s designee within 5 days after such amount shall be due, then, without

any requirement for notice (including, without limitation, billing) to Sublessee, Sublessee shall pay to Sublessor a late charge equal to 10% of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Sublessor will incur by reason of late payment by Sublessee. Acceptance of such late charge by Sublessor shall in no event constitute a waiver of Sublessee's default with respect to such overdue amount, nor prevent Sublessor from exercising any other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of rent, then rent shall automatically become due and payable quarterly, in advance, rather than monthly, notwithstanding any other provision of this Sublease to the contrary.

4.3. Sublessee shall deposit with Sublessor (or such other party as Sublessor may designate) upon execution hereof either a cash security deposit of \$_[insert amount_] or such as security as required pursuant to the Master Lease as security for Sublessee's faithful performance of Sublessee's obligation hereunder. If Sublessee fails to pay rent or other charges due hereunder, or otherwise defaults with respect to any provisions of this Sublease, Sublessor may use, apply or retain all or any portion of said deposit for the payment of any rent or other charge in default or for the payment of any other sum to which Sublessor may become obligated by reason of Sublessee's default, or to compensate Sublessor for any loss or damage which Sublessor may suffer thereby. If Sublessor so uses or applies all or any portion of said deposit, Sublessee shall within 10 days after written demand therefor deposit cash with Sublessor in an amount sufficient to Espresso Bar said deposit to the full amount hereinabove stated and Sublessee's failure to do so shall be a material breach of this Sublease. If the monthly minimum rent due under Paragraph 4.1 shall, from time to time, increase during the term of this Sublease, Sublessee shall thereupon deposit with Sublessor additional security deposit so that the amount of security deposit held by Sublessor shall at all times bear the same proportion to the then current rent as the original security deposit bears to the original rent set forth in Paragraph 4.1 hereof. Sublessor shall not be required to keep said deposit separate from its general accounts. If Sublessee performs all of Sublessee's obligations hereunder, said deposit, or so much thereof as has not heretofore been applied by Sublessor, shall be returned, without payment of interest or other increment for its use, to Sublessee (or, at Sublessor's option, to the last assignee, if any, of Sublessee's interest hereunder) at the expiration of the term hereof, and after Sublessee has vacated the Premises. No trust relationship is created herein between Sublessor and Sublessee with respect to said security deposit.

4.4. Upon execution hereof, and on an annual basis thereafter, Sublessor shall estimate the amount of payments to be made pursuant to Paragraph 4.1.2 hereof (collectively, the "Additional Payments") which shall be paid during the upcoming calendar year, and such amount shall be divided by the number of months remaining under the term of this Sublease in such calendar year (the "Monthly Estimated Payment"). Sublessee shall pay to Sublessor the Monthly Estimated Payment on the same day as the rent is due under Section 4.1.1. The rent payable under Paragraph 4.1 above for any period during the term hereof which is less than one month shall be a pro-rata portion of the monthly installment. Within 60 days after the expiration of each calendar year, Sublessor shall send to Sublessee a reasonably detailed statement showing the actual amount of Additional Payments incurred during the preceding calendar year. If the total of the Monthly Estimated Payments during said preceding calendar year exceeds the actual amount of Additional Payments as indicated on said statement, Sublessee shall be entitled to credit the amount of such overpayment against the Monthly Estimated Payment to be paid by Sublessee for next payment due. If the total of Sublessee's Monthly Estimated Payments during said preceding calendar year were less than the actual amount of Additional Payments, Sublessee shall pay to Sublessor the amount of the deficiency within 10 days after delivery by Sublessor to Sublessee of said statement. All money paid to Sublessor under this Paragraph may be intermingled with other moneys of Sublessor and shall not bear interest.

ARTICLE 5.
MAINTENANCE AND REPAIR

5.1. Sublessee, by taking possession of the Premises, agrees that such Premises are in good and tenantable condition, and Sublessee agrees that it shall, at its sole cost and expense maintain the Premises, the Espresso Bar, and all of the appurtenances thereto in good condition and repair and in accordance with the requirements set out in the Master Lease and the Franchise Agreement. The Premises may not be altered or changed by Sublessee without the prior written consent of Sublessor, said Sublessee hereby waiving all rights to make repairs at Sublessor's expense. Sublessor may as a condition to Sublessor's giving such consent, require Sublessee to provide Sublessor, at Sublessee's sole cost and expense, a lien and completion bond in an amount equal to one and one-half times the estimated cost of such alterations, repairs or changes, to insure Sublessor against any liability for mechanics' and materialmens' liens and to insure completion of any work. Unless otherwise provided by written agreement, all alterations, improvements and changes that may be undertaken at the cost of Sublessee, shall be the property of Sublessor and shall remain upon and be surrendered with the Premises upon expiration or termination of this Sublease for any reason.

5.2. The parties hereby expressly agree that Sublessor shall not have any duty or responsibility to repair or replace any part or portion of the Premises or in any way to provide any maintenance or repairs whatsoever, but, on the contrary, same shall be the sole cost and responsibility of Sublessee. Failure by Sublessee to maintain or repair the Premises shall constitute a material breach of this Agreement and Sublessor shall have the sole right to terminate this Sublease if Sublessee fails to maintain or repair the Premises within 5 days after receipt of written notice by Sublessor.

5.3. Without in any way limiting the generality of the foregoing, Sublessee shall be responsible for any replacement, repair or maintenance that may be necessary as to any part or portion of the Premises, expressly including the roof, Espresso Bar front, signage, floors, ceilings, sidewalks, drive and parking areas, interior and exterior lighting, landscaping, doors, plate glass, window casements, glazing, sewer, water connections, pipes and plumbing facilities, gas mains, electrical wiring and conduits, heating and air conditioning systems (if any), and each and every other part or portion thereof. The parties further recognize that the Sublessee is at the time of the execution of this Sublease fully aware of the condition of the Premises and takes the Subleased Premises as is, the parties hereby expressly acknowledging that Sublessor has not made and does not hereby make any representations or warranties whatsoever concerning the use to which they may be put.

5.4. Sublessee shall pay, when due, all claims for labor or materials furnished to or for Sublessee at or for use in the Premises. Sublessor shall have the right to post notices of non-responsibility at or on the Premises as provided by law.

5.5. Sublessee shall, upon the expiration or sooner termination of the Sublease, surrender the Premises to the Sublessor in good condition, broom clean, ordinary wear and tear excepted.

5.6. If the Sublessee fails to carry out any maintenance or repairs required to be carried out by it pursuant to this Sublease and to the reasonable satisfaction of the Sublessor, the Sublessor shall provide written notice to the Sublessee of any deficiency of the Sublessee. If the Sublessee fails to carry out the necessary repairs or maintenance within 5 days of receipt of such notice, the Sublessor may, at its option carry out such maintenance or repairs without any liability for any damage which may result to the Sublessee's property or business by reason thereof. The cost of such work, plus a sum equal to 15% of such cost representing the Sublessor's overhead, shall be paid by the Sublessee to the Sublessor forthwith upon demand..

ARTICLE 6. INDEMNITY

6.1. Sublessor shall not be liable at any time for any loss, damage or injury to the property or person of any person whomsoever at any time occasioned by or arising out of any act or omission of the Sublessee, or of anyone holding under Sublessee or the occupancy, use or maintenance of the Premises or any part thereof or the parking lot by or under the Sublessee, or directly or indirectly from any state of condition of the Premises or any part during the term of this Sublease.

6.2. Notwithstanding anything to the contrary in this Sublease and irrespective of any insurance carried by Sublessee for the benefit of Sublessor, Sublessee shall protect, indemnify, defend (with counsel acceptable to Sublessor), and hold Sublessor, its affiliates, parents and subsidiaries, and their respective officers, directors, employees, successors and assigns harmless from any and all damages, liabilities, claims, costs, and expenses (including without limitation, attorneys' fees) of whatsoever nature arising under the terms of this Sublease or arising out of or in connection with the operation carried on by Sublessee on, or the use or occupancy of, the Premises.

ARTICLE 7. INSURANCE

Sublessee shall, at its sole cost and expense, obtain and maintain the insurance required by the Franchise Agreement and the Master Lease with respect to the Premises. Sublessee expressly agrees to be bound by the terms of the Franchise Agreement and the Master Lease with respect to such insurance coverage requirements, including, without limitation, the duty to name Sublessor, the Head Landlord and any other required parties required by Sublessor or Landlord as additional insureds and/or loss payees as their respective interests may appear.

ARTICLE 8. ASSIGNMENT AND SUBLETTING

8.1. Sublessee shall not cause or allow any Assignment, in whole or in part, nor sublet all or any part of the Premises, without the prior written consent of Sublessor in each instance, which consent may be withheld in Sublessor's sole and absolute discretion. The prohibition against assigning or subletting shall be construed to include a prohibition against any assignment or subletting by operation of law. Should Sublessor consent to the Assignment of the Franchise Agreement, in accordance with the terms of the Franchise Agreement, Sublessee shall assign this Sublease to the same assignee upon Sublessee's receipt of such consent. Notwithstanding any Assignment of this Sublease, with the consent of Sublessor, Sublessee shall remain fully liable on this Sublease and shall not be released from performing any of the terms, covenants and conditions of this Sublease.

8.2. Sublessor may at any time assign this Sublease and the rights, privileges, duties and obligations hereunder.

ARTICLE 9. DEFAULT AND REMEDIES

9.1. Sublessor may, at its option and without limiting Sublessor in the exercise of any other right or remedy it may have on account of a default or breach by Sublessee, exercise the rights and remedies specified in Paragraph 9.2 below if:

9.1.1. Sublessee defaults in the payment of any money agreed to be paid by Sublessee to Sublessor for rent, taxes, utilities, or for any other purpose hereunder, and if such default continues for 3 days after written notice to Sublessee from Sublessor.

9.1.2. Sublessee Abandons the Premises.

9.1.3. Sublessee defaults in the performance of any other of its agreements, conditions or covenants under this Sublease and such default continues for 3 days after written notice to Sublessee by Sublessor.

9.1.4. Sublessee commits any material breach of any other agreement between the Sublessee and Sublessor or any of its affiliates, including, but without limitation the Franchise Agreement, or any other act or omission to act which gives the Sublessor the right to terminate the franchise granted therein, and Sublessee fails to cure such breach in the manner and within the time periods prescribed by such agreement.

9.1.5. Upon the termination of the Franchise Agreement for any reason.

9.2. On any breach, default, or Abandonment as described in Paragraph 9.1 above, Sublessor may exercise any of the following rights:

9.2.1. Immediately re-enter and remove all persons and all properties from the Premises, storing said personal property in a public warehouse or elsewhere at the cost of, for the account of and at the risk of Sublessee. In the event that there is any such re-entry by Sublessor, Sublessor may take any repairs, additions or improvements in, to or upon the Premises which may be necessary or convenient; provided, however, that Sublessor shall be entitled to recover from Sublessee the expenses for such repairs, additions or improvements only to the extent necessary to restore the Espresso Bar the Espresso Bar to the condition it was at commencement of the term of the Sublease, reasonable wear and tear excepted. In such instance, this Sublease will be terminated and Sublessor will be entitled otherwise to recover all damages allowable under law and this Sublease.

9.2.2. To collect by suit or otherwise, each installment of rent or other sum, plus interest, as it becomes due hereunder, or to enforce, by suit or otherwise, any other term or provision hereof on the part of the Sublessee required to be kept or performed.

9.2.3. Terminate this Sublease, in which event Sublessee agrees to immediately surrender possession of the Premises and pay to Sublessor, in addition to any other remedy Sublessor may have, all damages Sublessor may incur by reason of default, including the cost of recovering the Premises.

9.3. Sublessor's failure to take advantage of any default or breach of covenant on the part of Sublessee shall not be, or be construed as a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this Sublease be construed to waive or lessen the right of Sublessor to insist upon the performance by Sublessee of any term, covenant or condition hereof, or to exercise any right given it on account of any such default. The acceptance of rent hereunder shall not become or be construed to become a waiver of any term, covenant or condition of this Sublease.

9.4. Sublessee hereby pledges and hypothecates to Sublessor any and all furniture and personal property which Sublessee may bring into or upon the Premises, including such property as may be exempt by law from execution or attachment, to secure the performance under the terms and conditions hereof. Sublessee covenants and agrees that in the event of any default and in addition to any

remedies set forth in this article, such furniture and personal property shall be subject to a lien on behalf of Sublessor. The enforcement of such lien or forbearance of enforcement shall be at the sole option of Sublessor.

9.5. The rights, powers, elections and remedies of the Sublessor contained in this Sublease shall be construed as cumulative and no one of them is or shall be considered exclusive of the other or exclusive of any rights or remedies allowed by law, and the exercise of one or more rights or powers, elections or remedies shall not impair Sublessor's rights to exercise any other.

9.6. If Sublessee shall be in default in the performance of any covenant on its part to be performed under this Sublease, then, after notice and without waiving or releasing Sublessee from the performance thereof, Sublessor may, but shall not be obligated to, perform any such covenant, and in exercising any such right, pay necessary and incidental costs and expenses in connection therewith plus a sum equal to 15% of such cost representing the Sublessor's overhead. All sums so paid by Sublessor, together with interest thereon at the highest rate allowable by law, shall be deemed additional rent and shall be payable to Sublessor on the next rent paying day.

9.7. The terms of the Franchise Agreement are incorporated herein by reference; provided, however, in the event Sublessor desires to commence any action or proceeding for unlawful detainer, non-payment of rent, or for any other breach of this Sublease, Sublessor shall have the right to proceed with such action in any court of competent jurisdiction, and Sublessee agrees not to demand mediation or arbitration of such disputes under the Franchise Agreement, or any other ancillary agreement, which is acknowledged to be a contract separate and apart from this Sublease.

9.8. In the event that Sublessor commences any legal proceeding, or employs an attorney or any other person or firm to serve notice and/or demand, to enforce this Sublease against Sublessee and/or remove Sublessee and its property from the Premises, Sublessee shall not assert any counterclaims or similar allegations as a defense to any such proceeding, it being the intention of Sublessor and Sublessee that such counterclaims shall be brought against Sublessor, if at all, in a separate legal proceeding. Sublessee shall pay all costs and expenses incurred by Sublessor, including legal fees and expenses of litigation, to enforce this Sublease and the rights and privileges evidenced hereby against Sublessee. Attorneys' fees shall include, without limitation, reasonable legal fees, whether incurred prior to, or in preparation for or contemplation of the filing of any written demand or claim, action, hearing or proceeding to enforce the obligations of Sublessee under this Sublease.

ARTICLE 10. CONDEMNATION

In the event that any action or proceeding is commenced for condemnation, in exercise of the right of eminent domain, of the Premises or any portion thereof, or if Sublessor is advised in writing by any Governmental Authority or any entity or body having the right of power of condemnation, of its intention to condemn the whole or any portion of the Premises, Sublessee having right of possession of the Premises at the time thereof, or if the Premises or any portion thereof be condemned through such action, then and in any of said events:

10.1. Sublessor may, without any obligation or liability to Sublessee, and without affecting the validity and existence of this Sublease other than as hereafter expressly provided, agree to sell and/or convey to the condemnor or to the Head Landlord under the Master Lease, without first requiring any action or proceeding be instituted, or if such action or proceeding shall have been instituted, without requiring any trial or hearing thereof (and Sublessor is expressly empowered to stipulate to judgment therein) free from this Sublease the Premises or any portion thereof sought by the condemnor and the rights of Sublessee hereunder.

10.2. Sublessee shall have no claim against Sublessor under the Master Lease, nor be entitled to any part or portion of the amount that may be paid or awarded as a result of the sale for the reasons as aforesaid or condemnation of the Premises or any portion thereof, Sublessee hereby assigning, transferring and setting over unto Sublessor the interest, if any, which Sublessee would but for this provision have in, to, upon or against the Premises or any portion thereof, or the amount agreed to be paid and/or awarded and paid to Sublessor or the Head Landlord under the Master Lease.

10.3. If any part of the Premises shall be taken or condemned as hereinbefore provided, and a part thereof remains which is suitable for the use contemplated hereunder, this Sublease shall, as to the part so taken, terminate as of the date title shall vest in the condemnor and the rent payable hereunder shall be adjusted for the remainder of the term as of the date of such termination in the same proportion as provided in the Master Lease. If all of the Premises be taken or condemned as hereinbefore provided, or so much thereof that the contemplated use shall be substantially impaired in the judgment of Sublessor, this Sublease shall thereupon terminate.

ARTICLE 11. COMPLIANCE WITH LAW

Sublessee, at Sublessee's expense, shall comply with all laws, rules, orders, ordinances, directions, regulations and requirements of Government Authorities, now in force or which may later be in force, which shall impose any duty upon Sublessor or Sublessee as to the use, occupation or alteration of the Premises, including without limitation, the Americans With Disabilities Act of 1990.

ARTICLE 12. SUBORDINATION

Sublessee expressly agrees that this Sublease and Sublessee's rights hereunder shall be subject and subordinate to the Master Lease, mortgages, deeds or trust or any other encumbrances now or hereafter placed, charged or enforced against the Premises or any land, buildings or improvements included thereon or of which the Premises are a part of any portion or portions thereof. Sublessee further agrees to execute at any time, and from time to time, such documents as may be required to effectuate such subordination, and upon failure to execute any such documents at Sublessor's request, Sublessor shall be, and hereby is, appointed Sublessee's attorney-in-fact to do so.

ARTICLE 13. NOTICES

Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties pursuant hereto shall be deemed so delivered at the time delivered by hand, one business day after placement with a commercial overnight courier, one business day after transmission by facsimile or other electronic system (with confirmation copy sent by regular U.S. mail), or 3 business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

If to Sublessor::	Aroma Franchise Company, Inc. 20920 W Dixie Hwy Aventura, FL 33180 Attn: _____ Facsimile No.: _____
-------------------	---

If to Sublessee:

Attn: _____
Facsimile No: _____

Any party may change his or its address by giving 10 days prior written notice of such change to all other parties. Notices may be sent in electronic format (email) so long as a copy of such notice is also delivered by national or international overnight courier delivery service or personal delivery.

ARTICLE 14. INCORPORATION OF MASTER LEASE

The provisions of the Master Lease are incorporated by reference into, and made a part of this Sublease, except for Paragraphs _____. If there is conflict between provisions in the Master Lease and this Sublease, the Master Lease shall control, except for Article 2 and Article 4, in which provisions of the Sublease shall control. Sublessee hereby expressly assumes and agrees to perform all of the obligations and covenants required by the Master Lease to be kept or performed by Sublessor as the Lessee thereof. Sublessor agrees to maintain the Master Lease during the entire term of this Sublease, subject, however, to any earlier termination of the Master Lease without fault of Sublessor, and to pay all rents and taxes provided for therein in accordance with the terms of the Master Lease.

ARTICLE 15. MISCELLANEOUS

15.1. If Sublessee is a Business Entity, all holders of a 10% or greater ownership interest in Sublessee shall execute the form of Guaranty and Assumption of Obligations attached hereto as Exhibit B, pursuant to which such holder of ownership interest in Sublessee personally, irrevocably and unconditionally guarantees, jointly and severally, with all other holders of 10% or greater ownership interest in Sublessee, the full payment and performance of Sublessee's obligations hereunder.

15.2. The captions of the Articles of this Sublease are for convenience and reference only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Sublease.

15.3. Unless otherwise stated hereinabove, any sum accruing to Sublessor under the provisions of this Sublease which shall not be paid when due shall bear interest at the rate of eighteen percent (18%) per annum or the highest rate permissible by law, whichever is lower, accruing from the due date until paid.

15.4. No provision of this Sublease is subject to modification except in writing signed by all of the parties.

15.5. Sublessee and Sublessor hereby acknowledge and agree that each party has had the opportunity to obtain advice from their respective legal counsel prior to signing this document.

15.6. Time shall be of the essence in this Sublease, and each and every part thereof.

15.7. This Sublease may be executed by counterparts each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument. Delivery of an electronic copy of this Sublease by electronic (email) transmission shall be effective as the delivery of originals, and such electronic copy shall be deemed to be an original hereof.

15.8. It is expressly understood and agreed that the Sublessor is not in the position to render any of the services or to perform any of the obligations required of the Head Landlord by the terms of this Sublease which are the responsibility of the Head Landlord under the Master Lease, and that performance by the Sublessor of such obligations hereunder are conditioned upon due performance by the Head Landlord of its corresponding obligations under the Master Lease and further upon due performance by the Sublessee of its obligations under this Sublease. It is further understood and agreed, therefore, that notwithstanding anything to the contrary contained in this Sublease, the Sublessor shall not be in default under this Sublease for failure to render such services or perform such obligations required of the Sublessor by the terms of this Sublease which are the responsibility of the Head Landlord, but the Sublessor agrees to take all commercially reasonable measures to notify and cause the Head Landlord to perform said obligations and, notwithstanding anything else herein contained, the obligations of the Sublessor with respect to the covenants and obligations of the Head Landlord are limited to the foregoing. The term "commercially reasonable measures" shall not include legal action against the Head Landlord for failure to so perform unless the Sublessee agrees to pay all costs and expenses incurred in connection therewith.

(Signatures on following page)

THIS SUBLEASE has been executed by the parties on _____, 20__.

SUBLESSOR:

SUBLESSEE:

**AROMA FRANCHISE COMPANY, INC., A
NEW YORK CORPORATION**

By: _____

Title: _____

Dated: _____

By: _____

Title: _____

Dated: _____

By: _____

Title: _____

Dated: _____

Attachments:

Exhibit A — Master Lease

Exhibit B — Guaranty

EXHIBIT A
MASTER LEASE

Exhibit A

EXHIBIT B

GUARANTY

In consideration of, and as an inducement to, the execution of the above Sublease (the "Sublease") by AROMA FRANCHISE COMPANY, INC. ("Sublessor"), each of the undersigned ("Guarantors") hereby personally and unconditionally (1) guarantees to Sublessor and its successors and assigns, for the term of the Sublease and thereafter as provided in the Sublease, that _____ ("Sublessee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Sublease. Each of the undersigned waives:

- (1) acceptance and notice of acceptance by Sublessor of the foregoing undertakings;
- (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
- (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; and
- (4) any right he or she may have to require that an action be brought against Sublessee or any other person as a condition of liability.

Each of the undersigned consents and agrees that:

- (a) his or her direct and immediate liability under this guaranty shall be joint and several;
- (b) he or she shall render any payment required under the Sublease upon demand if Sublessee fails or refuses punctually to do so;
- (c) such liability shall not be contingent upon or conditioned upon pursuit by Sublessor of any remedies against Sublessee or any other person; and
- (d) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or the indulgence which Sublessor may from time to time grant to Sublessee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Sublease.

If Sublessor is required to enforce this Guaranty in any judicial or arbitration proceeding or appeal thereof, the Guarantors shall reimburse Sublessor for its costs and expenses, including but not limited to, reasonable accountants', attorneys', attorney assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty and Assumption of Obligations.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature on the same day and year as the Sublease was executed.

WITNESS

GUARANTORS

Name

Signature

Name

Signature

State of _____ }
County of _____ }

On _____ before me, _____
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared _____
Name(s) of Signer(s)

- ☐ personally known to me
☐ proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that his/her/their authorized signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.

Place Notary Seal Above

Signature of Notary Public

EXHIBIT G

**STATE SPECIFIC ADDENDA
TO FRANCHISE DISCLOSURE DOCUMENT**

**ADDENDUM TO AROMA FRANCHISE COMPANY, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF CALIFORNIA**

1. The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Disclosure Document/and or Franchise Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

A. Item 3 of the Disclosure Document is supplemented by the following language:

“Neither we nor any person or franchise broker in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A.78a et seq., suspending or expelling such persons from membership in such association or exchange.”

B. Item 5 of the Disclosure Document is supplemented by the following language:

Based on our audited financial statements, as a condition to becoming registered to offer and sell franchises in the state of California, the California Department of Financial Protection and Innovation has required financial assurances. We will defer your obligation to pay the initial franchise fees until you are open for business and we have completed our pre-opening obligations. Therefore, during the period that such fee deferral requirement is in effect (“Fee Deferral Period”), you will not be required to pay the initial franchise fees until we have completed our pre-opening obligations to the franchisee and the franchise is open for business. Immediately upon notice from us that the Fee Deferral Period has ended, you must pay the full initial franchise fees as contemplated by Item 5 of the disclosure document.

C. Item 17 of the Franchise Disclosure Document is supplemented by the following language:

- a. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
- b. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
- c. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- d. The franchise agreement requires application of the laws of Delaware. This provision may not be enforceable under California law.

2. The Special Risks to Consider About *This Franchise*”, Cover Page is supplemented by the addition of the following risk factors:

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

3. 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 BUSINESS OVERSIGHT AT www.dfpi.ca.gov.

4. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH A COPY OF THE DISCLOSURE DOCUMENT.

5. 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).

6. Corporations Code 31512 provides that: “Any conditions, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of this law or any rule or order hereunder is void.” The franchise agreement requires a shortened status of limitations period. Pursuant to Corporations Code Section 31512, this provision is void, to the extent that it is inconsistent with the provisions of Corporations Code Sections 31303 and 31304.

7. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF BUSINESS OVERSIGHT BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

8. Franchisees must comply with the requirements set forth in the Alcoholic Beverage Control Act and the California Code of Regulations, Title 4 for the sale of alcoholic beverages.

9. In California, local county health departments inspect retail food facilities to ensure compliance with safe food handling practices and the adequacy of kitchen facilities.

10. 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.

11. No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on behalf. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO AROMA FRANCHISE COMPANY, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS**

1. If the franchise agreement requires that it be governed by a state's law, other than the state of Illinois, to the extent that such law conflicts with the Illinois Franchise Disclosure Act (including judicial decisions interpreting the Act), Illinois law will govern.

2. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.

3. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law or Illinois is void.

4. Your rights upon termination and non-renewal of a Franchise Agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure act.

5. Payment of initial franchise fees will be deferred until the franchisor has met all of its initial obligations to franchisee and franchisee has commenced doing business. This financial assurance requirement was imposed by the Illinois Attorney General's Office due to the franchisor's financial status.

6. Each provision of this addendum shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act, with respect to each such provision, are met independent of this addendum. This addendum shall have no force or effect if such jurisdictional requirements are not met.

7. No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on behalf. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO AROMA FRANCHISE COMPANY, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND**

1. Item 5 of the Disclosure Document is supplemented by the following language:

“Based on our current financial condition, as a condition to becoming registered to offer and sell franchises in the state of Maryland, we have agreed to defer your obligation to pay the Development Fee under the Development Agreement, the Initial Franchise Fee under the Franchise Agreement and any fees for site evaluation, opening assistance and other services (“Initial Fees”) until we have met our material pre-opening obligations and the Aroma Espresso Bar is open. Therefore, during the period that such fee deferral requirement is imposed on us (“Fee Deferral Period”), you will not be required to pay the Development Fee, but, instead, will be required to pay the full Initial Franchise Fee under the Franchise Agreement and any other Initial Fees when we have met our material pre-opening obligations and the Aroma Espresso Bar opens. Immediately upon notice from us that the Fee Deferral Period has ended, you must pay all accrued but unpaid portions of the Initial Fees as contemplated by Item 5 of the Franchise Disclosure Document.

2. (a) The Summary column for Item 17.v., “Choice of Forum” (Franchise and Development Agreement chart) is amended as follows:

“A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Except for any rights a franchisee has under the Maryland Franchise Registration and Disclosure Law to bring suit in Maryland for claims arising under the Law, mediation of disputes which are subject to mediation will be held at the offices of the AAA nearest to New York, New York. Except as otherwise required by the Maryland Franchise Registration and Disclosure Law, venue for all proceedings arising under the Franchise Agreement is New York, New York.”

- (b) Item 17.c., “Requirements for you to renew or extend” (Franchise/Development Agreement chart) and Item 17.m. “Conditions for our approval of transfer” (Franchise/Development Agreement chart) are amended by the addition of the following:

“The Code of Maryland Regulations COMAR 02.02.08.16L., states that a 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. This may affect the enforceability of certain provisions in the Franchise/Development Agreements relating to renewal, sale, assignment or transfer of the Franchise/Development Agreements.”

- (c) Item 17 is amended to add the following note at the end of that Item:

“Any claims that Franchisee/Developer may have under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

- (d) The following is added as the last paragraph of Item 17:

“A provision in the Franchise/Development Agreements which terminates the agreement upon your bankruptcy may not be enforceable under Title 11, United States Code Section 101.”

3. No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on behalf. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO AROMA FRANCHISE COMPANY, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK**

NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. 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 or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a 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 Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. 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.

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

To the extent required by the New York General Business Law, you may terminate the Agreement on any grounds available by law.

7. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, 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.

8. No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on behalf. This provision supersedes any other term of any document executed in connection with the franchise.

EXHIBIT H

FORM OF GENERAL RELEASE

Exhibit H

FORM OF GENERAL RELEASE

[Current Form for Transfers and Renewals]

1. **Release of Claims.** Franchisee and its Owners and their respective assigns, heirs, representatives, agents, family members, and all other persons acting on their behalf or claiming under them (collectively referred to as the “Franchisee Related Parties”) irrevocably and unconditionally release and forever discharge Franchisor, its predecessors, subsidiaries, affiliates and their respective owners, officers, directors, agents, independent contractors, servants, employees, representatives, attorneys, successors and assigns and all persons acting by, through, under or in concert with any of them (collectively “Releasees”), from all actions, causes of action, suits, debts, liens, contracts, agreements, obligations, promises, liabilities, claims, rights, demands, damages, controversies, losses, costs, and expenses (including attorneys’ fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, except for claims under the Maryland Franchise Registration and Disclosure Law (“Claim” or “Claims”), which they now have or claim to have or at any time heretofore have had or claimed to have against each or any of the Releasees, including, without limitation, any and all such Claims arising from, based upon or related to the Franchise Agreement, but excluding claims based on any representation that Franchisor made in the most recent Franchise Disclosure Document (including its exhibits and amendments) that Franchisor delivered to Franchisee or its representative in connection with the offer of the Franchise Agreement, subject to agreed-upon changes to the contract terms described in that Franchise Disclosure Document and reflected in the Franchise Agreement (including any riders or addenda signed at the same time as the Franchise Agreement).

[For California franchisees, add: Each of the Franchisee Related Parties expressly waives and relinquishes all rights and benefits which either may now have or in the future have under and by virtue of California Civil Code Section 1542. The parties do so understanding the significance and consequence of such specific waiver. Section 1542 provides that “[a] general release does not extend to claims which the creditor does not know or suspect exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.” For the purpose of implementing a general release and discharge as described in Section 1. above, the parties expressly acknowledge that this Agreement is intended to include in its effect, without limitation, all claims described in Section 1. above which the parties do not know or suspect to exist in their favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.]

2. **Unknown Claims.**

(a) Franchisee acknowledges for itself and the Franchisee Related Parties that there is a risk that subsequent to the execution of this Agreement, it will discover, incur or suffer Claims which are unknown or unanticipated at the time this Agreement is executed, including, without limitation, unknown or unanticipated Claims which arose from, are based upon or are related to the Franchise Agreement or some part or aspect thereof, which if known by Franchisee on the date this Agreement is being executed may have materially affected its decision to execute this Agreement.

(b) Franchisee acknowledges and agrees for itself and the Franchisee Related Parties that by reason of the release contained in Section 1 above, it is assuming the risk of such unknown and unanticipated Claims and agrees that its release of the Releasees contained in this Agreement applies thereto.

3. **Covenant Not to Sue.** Franchisee covenants and agrees for itself and for the Franchisee Related Parties not to bring or allow to be brought on behalf of itself or any Franchisee Related Party, any action, cause of action, suit or other proceeding of any kind, which has accrued or which may ever accrue, whether based in the Constitution, common law or statute, contract, tort, or in equity, for actual or punitive damages or other relief, against Franchisor and the Releasees arising out of, resulting from, or in any manner related to the matters referenced in Section 1.

4. **No Assignment of Claims.** Franchisee represents and warrants for itself and the Franchisee Related Parties that it has not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claims released under Section 1 of this Agreement and agrees to indemnify, defend and hold the Releasees harmless from and against any and all Claims, based on or arising out of any such assignment or transfer, or purported assignment or transfer, of any Claims, or any portion thereof or interest therein. Franchisee represents and warrants that since the date of the Franchise Agreement, there has been no assignment or transfer, and no purported assignment or transfer, to any person or entity of the Franchise, the Franchise Agreement, or any rights or interests therein or in the Franchisee.

5. **Full and Independent Knowledge.** Franchisee represents that it has been represented by an attorney in connection with the preparation and review of this Agreement, that it has specifically discussed with its attorney the meaning and effect of this Agreement and that it has carefully read and understands the scope and effect of each provision contained herein. Franchisee further represents that it does not rely and has not relied upon any representation or statement made by the Franchisor or, any of the Releasees or any of their representatives with regard to the subject matter, basis or effect of this Agreement.

6. **Compromise.** Franchisee agrees for itself and the Franchisee Related Parties that the releases contained herein are the result of a compromise and shall never at any time for any purpose be considered as an admission of liability or responsibility on the part of Franchisor or the Releasees regarding any matter.

7. **General Provisions.**

(a) **Entire Agreement.** This Agreement, when fully executed, supersedes all previous negotiations, representations, and discussions by the parties hereto concerning the subject matter hereof and integrates the whole of all of their agreements and understandings concerning the subject matter hereof. No oral representations or undertakings concerning the subject matter hereof shall operate to amend, supersede, or replace any of the terms or conditions set forth herein.

(b) **Authority.** By their signatures below, the parties hereto represent and warrant to each other that they have all necessary authority to enter into this Agreement. Each party hereto represents and warrants that the party is entering into this Agreement solely for the purposes and consideration set forth herein.

(c) **Counterpart Execution.** This Agreement may be executed in multiple counterparts, each of which shall be fully effective as an original.

(d) **Survival.** All covenants, representations, warranties, and agreements of the parties shall survive execution and delivery of this Agreement and shall continue until such time as all the obligations of the parties hereto shall have lapsed in accordance with their respective terms or shall have been discharged in full.

(e) Further Assurance. The parties hereto covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out the intent of this Agreement.

(f) Complete Defense. Franchisee acknowledges that this Agreement shall be a complete defense to any claim released under the terms of Section 1 of this Agreement and hereby consents to the entry of a temporary or permanent injunction to end the assertion of any such claim.

(g) Attorneys' Fees. In the event that Franchisor institutes legal proceedings of any kind to enforce this Agreement, Franchisee agrees to pay all costs and expenses associated therewith, including, but not limited to, all attorneys' fees.

(Signatures on following page)

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative as of the date indicated below.

FRANCHISOR:

Aroma Franchise Company, Inc.,
a New York corporation

By: _____
Name: _____
Title: _____
Date: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____
Date: _____

OWNERS:

Date: _____

Date: _____

Date: _____

[See Additional Notes:

- 1. Add signature blocks for any additional parties identified pursuant to Section 1**
- 2. For Development Agreements the word “Franchisee” is replaced with the word “Developer” and “Franchise” is replaced with the word “Development”.]**

ATTACHMENT A

LIST OF STATE ADMINISTRATORS

ATTACHMENT A

LIST OF ADMINISTRATORS

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, in accordance with the applicable state laws. 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 these states:

CALIFORNIA

California Department of Financial
Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
866-275-2677

FLORIDA

Florida Department of Agriculture & Consumer
Services
2005 Apalachee Parkway
Tallahassee, Florida 32399

HAWAII

Business Registration Division
Department of Commerce
and Consumer Affairs
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS

Chief, Franchise Bureau
Attorney General's Office
500 South Second Street
Springfield, Illinois 62706

INDIANA

Securities Commissioner
Indiana Securities Division
302 West Washington Street
Room E-111
Indianapolis, Indiana 46204

MARYLAND

Office of the Attorney General
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN

Michigan Attorney General's Office
Consumer Protection Division
Attn.: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933

MINNESOTA

Franchise Examiner
Minnesota Department of Commerce
85 7th Place East
Suite 280
Saint Paul, Minnesota 55101

NEBRASKA

Nebraska Department of
Banking and Finance
1526 K Street, Suite 300
Lincoln, Nebraska 68508-2732

NEW YORK

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
212-416-8222

NORTH DAKOTA

Franchise Examiner
North Dakota Securities Department
600 East Boulevard Avenue
State Capitol – 5th Floor
Bismarck, North Dakota 58505-0510

OREGON

Department of Consumer and
Business Services
Division of Finance and
Corporate Securities
Labor and Industries Building
Salem, Oregon 97310

RHODE ISLAND

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

SOUTH DAKOTA

Franchise Administrator
Department of Labor and Regulation
Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

TEXAS

Statutory Document Section
Secretary of State
P.O. Box 12887
Austin, Texas 78711

UTAH

Director
Division of Consumer Protection
Utah Department of Commerce
160 East Three Hundred South
P.O. Box 45804
Salt Lake City, Utah 84145

VIRGINIA

State Corporation Commission
Division of Securities
and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219

WASHINGTON

Administrator
Department of Financial Institutions
Securities Division
150 Israel Rd. S.W.
Tumwater, Washington 98501

WISCONSIN

Franchise Administrator
Division of Securities
Department of Financial Institutions
201 West Washington Avenue, Suite 300
Madison, Wisconsin 53703

ATTACHMENT B

AGENTS FOR SERVICE OF PROCESS

ATTACHMENT B

AGENTS FOR SERVICE OF PROCESS

We intend to register this Disclosure Document as a “franchise” 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, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA

Commissioner of Financial Protection
and Innovation
California Department of Financial
Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

CONNECTICUT

Banking Commissioner of State of
Connecticut
Securities and Business Investment Division
Connecticut Department of Banking
260 Constitution Plaza
Hartford, Connecticut 06103-1800

HAWAII

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

INDIANA

Secretary of State
201 State House
200 West Washington
Indianapolis, Indiana 46204

MARYLAND

Maryland Securities Commissioner
Maryland Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN

Michigan Department of Commerce
Corporations and Securities Bureau
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933

MINNESOTA

Commissioner of Commerce
85 7th Place East
Suite 280
Saint Paul, Minnesota 55101

NEW YORK

Secretary of State of
the State of New York
99 Washington Avenue
Albany, New York 12231

NORTH DAKOTA

Securities Commissioner
North Dakota Securities Department
600 East Boulevard Avenue
State Capitol - 5th Floor
Bismarck, North Dakota 58505-0510

OREGON

Director
Department of Consumer and
Business Services
Division of Finance and
Corporate Securities
Labor and Industries Building
Salem, Oregon 97301

RHODE ISLAND

Director
Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex - Building 69-1
Cranston, Rhode Island 02920

SOUTH DAKOTA

Director
Department of Labor and Regulation
Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

VIRGINIA

Clerk of the State
Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

WASHINGTON

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

WISCONSIN

Commissioner of Securities
Wisconsin Securities Commission
201 West Washington Avenue, Suite 300
Madison, Wisconsin 53703

New York Insert
(To be inserted immediately before the Acknowledgment of Receipt)

This Franchise Disclosure Document is amended by the addition of the following sentence:

Franchisor represents that this prospectus does not knowingly omit any material fact or contain any untrue statement of a material fact.

ATTACHMENT C
STATE EFFECTIVE DATES

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	[Pending]
Illinois	[Pending]
Maryland	[Pending]
New York	[Pending]

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.

ITEM 23

RECEIPT

This disclosure document summarizes certain provisions of the franchise and development agreements and other information in plain language. Read this disclosure document and all agreements carefully.

If Aroma Franchise Company, Inc. 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 applicable state law. Applicable state law in (a) Connecticut and Michigan require 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, (b) New York requires us to provide you 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, and (c) Iowa and Maine require us to provide you the disclosure document at the earlier of the first personal meeting or 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.

If Aroma Franchise Company, Inc. 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.

The names, principal business addresses, and telephone numbers of the franchise sellers offering the franchise is:

Name	Principal Business Address	Telephone Number
Yoav Hecht	20920 W Dixie Hwy Aventura, FL 33180	305-705-2931
Oshrat (Oshi) Katri	20920 W Dixie Hwy Aventura, FL 33180	305-705-2931
Yariv Shefa	20920 W Dixie Hwy Aventura, FL 33180	305-705-2931

Issuance Date: May 4, 2023

I received a disclosure document dated May 4, 2023. The disclosure document included the following Exhibits and Attachments:

Exhibit A	Financial Statements	Exhibit E	Manual Table of Contents
Exhibit B-1	Franchise Agreement, including attachments and State Specific Amendments	Exhibit F	Form of Sublease
		Exhibit G	State Specific Addenda to Franchise Disclosure Document
Exhibit B-2	Development Agreement, including attachments and State Specific Amendments	Exhibit H	Form of General Release
		Attachment A	List of State Administrators
Exhibit C	List of Franchised Outlets	Attachment B	Agents for Service of Process
Exhibit D	List of Franchisees Who Have Left the System	Attachment C	State Effective Dates

Dated: _____

Individually and as an Officer of the Company designated below or of a company to be formed and designated below on formation

of _____ Printed Name
(a _____ Corporation)
(a _____ Partnership)
(a _____ Limited Liability Company)

[Keep this page for your records]

ITEM 23
RECEIPT

This disclosure document summarizes certain provisions of the franchise and development agreements and other information in plain language. Read this disclosure document and all agreements carefully.

If Aroma Franchise Company, Inc. 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 applicable state law. Applicable state law in (a) Connecticut and Michigan require 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, (b) New York requires us to provide you 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, and (c) Iowa and Maine require us to provide you the disclosure document at the earlier of the first personal meeting or 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.

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Issuance Date: May 4, 2023

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		Exhibit G	State Specific Addendum to Franchise Disclosure Document
Exhibit B-2	Development Agreement, including attachments and State Specific Amendments	Exhibit H	Form of General Release
		Attachment A	List of State Administrators
Exhibit C	List of Franchised Outlets	Attachment B	Agents for Service of Process
Exhibit D	List of Franchisees Who Have Left the System	Attachment C	State Effective Dates

Dated: _____

Individually and as an Officer of the Company designated below or of a company to be formed and designated below on formation

of _____ Printed Name
(a) _____ Corporation)
(a) _____ Partnership)
(a) _____ Limited Liability Company)

[Sign and return this page]