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FRANCHISE DISCLOSURE DOCUMENT

Brew Culture Franchise, LLC
A Wyoming limited liability company
313 Rollston Avenue
Fayetteville, Arkansas 72701
(479) 278-2234
www.7brew.com
info@7brew.com

The franchise offered is to operate a high-capacity drive-thru, quick-serve coffee store concept under the "7 BREW®" name and other trademarks that offers and sells primarily coffee, coffee-based, and other beverages.

The total investment necessary to begin operation of a new "traditional" 7 BREW Store franchise is $887,300 to $1,848,500, assuming a 2-Store commitment. This includes $45,000 to $484,000 that must be paid to the franchisor or affiliate. You must commit to develop at least 2 "traditional" 7 BREW Stores by signing a Development Rights Rider to the Franchise Agreement. The minimum development fee equals $45,000 (the full $35,000 initial franchise fee for the first Store plus a $10,000 payment for the second Store, which is not credited toward any initial franchise fee). You must pay us another $10,000 development fee for each additional traditional 7 BREW Store you commit to develop after the second Store.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date of this Franchise Disclosure Document: March 27, 2023

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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 Exhibit 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 C 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 7 BREW 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 a 7 BREW franchisee?	Item 20 or Exhibit D lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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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 Exhibit F.

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.

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Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in the franchisor's then-current home state (currently Arkansas). Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in its then-current home state (currently Arkansas) than in your own state.

2. **Short Operating History.** This franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise with a longer operating history.

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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THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

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(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENFORCEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan Consumer Protection Division
Attn: Franchise
670 G. Mennen Williams Building
525 West Ottawa, Lansing, Michigan 48933
(517) 335-7567

Notwithstanding paragraph (f) above, we intend to enforce fully the provisions of the arbitration section of our Franchise Agreement. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing our arbitration provision. If you acquire a franchise, you acknowledge that we will seek to enforce that section as written, and that the terms of the Franchise Agreement will govern our relationship with you, including the specific requirements of the arbitration section.

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

The Franchisor and Its Affiliates

The franchisor is Brew Culture Franchise, LLC ("we," "us," or "our"). "You" means the entity to which we grant franchises and development rights. Your owners must sign our "Guaranty and Assumption of Obligations" or "Owner's Undertaking of Non-Monetary Obligations" (depending on the ownership percentage). This means all or some of our Franchise Agreement's provisions (Exhibit A) also will apply to your owners.

We are a Wyoming limited liability company formed on February 21, 2021. Our principal business address is 313 Rollston Avenue, Fayetteville, Arkansas 72701. We conduct business primarily under our limited liability company name and the trademark "7 BREW®" and under no other name. Our direct parent company is Brew Culture, LLC, whose principal business address is 3400 S. US Highway 89, Jackson, Wyoming 83001. No other parent companies are disclosable in this Item 1. We have no predecessors. If we have an agent in your state for service of process, we disclose that agent in Exhibit F.

The following affiliates are disclosable in this Item 1:

(1) 7 Energy LLC, a Wyoming limited liability company whose principal business address is 3400 S. US Highway 89, Jackson, Wyoming 83001, originates certain energy drinks for 7 BREW Stores, including franchised 7 BREW Stores, and is the designated source of certain brands of energy drinks it originates (although sales to franchisees will be made by unaffiliated suppliers);

(2) CTAR, Inc., an Arkansas corporation whose principal business address is the same as ours, constructs the modular buildings for 7 BREW Stores, including franchised 7 BREW Stores, and is an approved (but not the only) supplier of those buildings; and

(3) Brew Culture Buying Group LLC, a Wyoming limited liability company whose principal business address is the same as ours, functions as the buying group for the 7 BREW Store system.

None of these affiliates has operated a 7 BREW Store or offered franchises in any line of business.

The Franchise Offered

We grant franchises to develop and operate high-capacity drive-thru, quick-serve coffee stores identified principally by the 7 BREW trademark that offer and sell coffee, coffee-based, and other beverages. We call these Stores "7 BREW Stores." The 7 BREW Store franchises that we currently offer and grant are only for "traditional" 7 BREW Stores. A "traditional" 7 BREW Store is defined to mean a freestanding or other facility that has at least one drive-thru window (a "Traditional 7 BREW Store"). Any 7 BREW Store that does not, or would not, have at least one drive-thru window is considered to be a "non-traditional" 7 BREW Store (a "Non-Traditional

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7 BREW Store"). You do not have the right to acquire franchises for Non-Traditional 7 BREW Stores.

In this disclosure document, we distinguish between Traditional 7 BREW Stores and Non-Traditional 7 BREW Stores only when the context requires. Otherwise, all references in this disclosure document to 7 BREW Stores mean Traditional 7 BREW Stores. We refer to your proposed Traditional 7 BREW Store as the "Store." 7 BREW Stores operate under the trademarks, service marks, and other commercial symbols we periodically designate (the "Marks") and the mandatory specifications, standards, operating procedures, and rules we periodically specify for 7 BREW Stores ("Brand Standards"). Your Store must offer the products and services we specify.

We do not offer single-unit franchises. In other words, we grant franchises only to qualified franchisees that commit to multi-unit development by developing a specific number of 7 BREW Stores within a defined territory according to a pre-determined development schedule. These franchisees may open and operate their 7 BREW Stores directly or through "Approved Affiliates," which are entities at least 75% of whose ownership is owned and controlled by the franchisee or its owners. Our Development Rights Rider to the Franchise Agreement (Exhibit B), which we also reference as "DRR," governs a franchisee's multi-unit development rights and obligations.

Franchisees must sign our then-current form of Franchise Agreement for each additional 7 BREW Store they develop under the DRR. While that form may differ substantially and materially year to year from the first Franchise Agreement they sign for their first 7 BREW Store to be developed (our current version of Franchise Agreement is disclosed in this disclosure document), the initial franchise fee will not change for the 2nd and each subsequent 7 BREW Store you commit to develop under the DRR. In addition, we will modify our then-current form of franchise agreement for each new 7 BREW Store to include the same terms that you negotiated with us and that appear in any amendment to your first Franchise Agreement, unless you (and your Approved Affiliates) are not then in substantial compliance (subject to any applicable cure opportunity) with the DRR, the first Franchise Agreement, and all other franchise agreements then in effect. If you (and your Approved Affiliates) are not then in substantial compliance with the DRR, the first Franchise Agreement, and all other franchise agreements then in effect and fail to cure such failure within any applicable opportunity to cure, then the terms of our then-current form of franchise agreement will not be modified as provided above to include the terms we previously negotiated with you.

We began offering franchises and development rights for 7 BREW Stores in March 2021. We have no other material business activities and have not offered franchises in other lines of business. While we have never operated a 7 BREW Store, our parent company has operated multiple 7 BREW Stores since January 2020, when it acquired control of the 7 BREW system that first opened for business in February 2017.

Nature of Market and Competition

Your Store will offer products and services to the general public throughout the year. The coffee-beverage industry is mature and competitive. You will face competition from numerous

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businesses, including international, national, regional, and local coffee and restaurant chains (both company-owned and franchised), "mom and pop" restaurants and cafes, grocery and convenience stores, and other foodservice businesses. However, we believe 7 BREW Stores will be distinguishable by their extensive and customizable beverage offering, energetic and friendly staff, and efficient and quick service. 7 BREW Stores also have a distinctive design featuring a small building footprint, blue lighting, and high-capacity drive-thru lanes that make the brand stand out.

Laws and Regulations

No regulations apply specifically to the industry in which 7 BREW Stores operate. However, federal, state, and local food safety, sanitation, handling, labeling, storage, and other laws governing all foodservice operations might impact your Store's operations more than others. You also might encounter local ordinances that prohibit or restrict drive-thru businesses generally. You must comply with these laws and with laws applying generally to all businesses. You should investigate these laws and regulations when evaluating your franchise acquisition.

Item 2
BUSINESS EXPERIENCE

Chief Operating Officer and Director of Franchising: Andrew G. Ritger Jr.

Mr. Ritger has been our Chief Operating Officer and Director of Franchising since May 2021. He was Chief Executive Officer and President of Value Dry Cleaners in Greenbelt, Maryland from December 2017 to May 2021.

Chief Executive Officer of Brew Culture, LLC: John H. Davidson

Mr. Davidson has been Chief Executive Officer of our parent company, Brew Culture, LLC, which is based in Fayetteville, Arkansas, since January 2020. Since 2004, he also has served as Managing Director of Monroe Capital, a family-office investment firm currently based in Jackson, Wyoming, that invests in companies in various industries.

Item 3
LITIGATION

No litigation is required to be disclosed in this Item.

Item 4
BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

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Item 5
INITIAL FEES

Franchise Agreement

You must pay us a $35,000 initial franchise fee in a lump sum when you sign the Franchise Agreement for your first 7 BREW Store (this initial franchise fee is part of the development fee described below). The initial franchise fee for the 2nd and each subsequent 7 BREW Store you develop under a Development Rights Rider to the Franchise Agreement is $25,000. That payment is due within 5 days after the date on which you open the 7 BREW Store for business. The initial franchise fee is not refundable under any circumstances.

If you purchase an existing Store from a franchisee, you will not pay an initial franchise fee. Instead, we receive a transfer fee from you or the selling franchisee (depending on your arrangement). That payment is not refundable.

We have the right (but no obligation) to send an "opening team" to the Store (involving the number of people we determine) to support the Store during its opening phase and to help you train your supervisory employees on our philosophy and Brand Standards (but not matters relating to labor relations and employment practices). We will pay the wages and travel-related expenses of any opening team we choose to send. However, if in our opinion you and/or the Store needs, or if you request (and we agree to provide), special guidance, assistance, or training that is in addition to any support we choose to provide (in other words, you ask us to stay longer than we had planned to stay), you must pay our personnel's daily charges (including wages) and travel-related expenses. This payment is not refundable.

As described in Item 1, one of our affiliates is an approved (but not the only) supplier of the modular building for 7 BREW Stores. If you choose to buy the modular building from that affiliate, you currently must pay between $318,500 and $439,000 for the building, plus shipping, freight, insurance, and installation. A deposit (equal to 20% to 75% of the purchase price depending on the volume purchased) is due when you sign the Manufacturing Agreement (Exhibit J). Final payment is due no later than at the time of shipment. This payment is not refundable. (Our affiliate has the right to charge you a $1,000-per-day nonrefundable storage fee if you do not transport the modular building within 30 days after it is completed.)

Development Rights Rider

We currently charge a development fee that you must pay in full when you sign the DRR. The development fee is the full $35,000 initial franchise fee for the first Store covered by the Franchise Agreement to which the DRR is attached, plus $10,000 for each additional Store you commit to develop (with a minimum 2-Store development commitment). This $10,000 per-Store payment is not a deposit toward future initial franchise fees. (The initial franchise fee is $25,000 for the second and each subsequent Store that you commit to develop.) We will identify the number of Stores you must develop, the deadlines for developing them, and the applicable development fee before signing the DRR. All development fees we received during 2022 were calculated using this same formula.

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The development fee is not refundable under any circumstances. If you sign the DRR, pay the development fee, and then cannot find sites for 7 BREW Stores or choose for another reason not to perform (in which case we terminate the DRR), we have the right to keep the entire development fee and need not return any money to you.

Item 6
OTHER FEES

Column 1 Type of Fee[1, 6]	Column 2 Amount[2]	Column 3 Due Date	Column 4 Remarks
Royalty	4.5% of the Store's weekly Gross Sales if the Store's Gross Sales during the preceding calendar week were less than $20,000 5.5% of the Store's weekly Gross Sales if the Store's Gross Sales during the preceding calendar week were between $20,000 and $25,000 7% of the Store's weekly Gross Sales if the Store's Gross Sales during the preceding calendar week were more than $25,000[3]	Due by Friday after the end of each calendar-week period (each calendar week currently begins on Monday and ends on Sunday[4]	
Brand Fund Contributions	The maximum amount we have the right to charge franchisees is 2% of Store's weekly Gross Sales[3]; we currently charge franchisees 1% of Store's weekly Gross Sales	Due by Friday after the end of each calendar-week period (each calendar week currently begins on Monday and ends on Sunday[4]	

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Column 1 Type of Fee[1, 6]	Column 2 Amount[2]	Column 3 Due Date	Column 4 Remarks
Technology Fee	Not to exceed 0.25% of the Store's weekly Gross Sales	Due by Friday after the end of each calendar-week period (each calendar week currently begins on Monday and ends on Sunday[4]	We do not currently charge this fee but have the right to begin collecting it on 30 days' prior written notice to you. Tech Fees are for technology expenditures we deem best for the franchise system (as well as affiliated 7 BREW Stores), including mobile training and operational performance software, cloud-based franchise-management solutions, IT phone support and database maintenance, Digital Marketing, online ordering and loyalty subscriptions, iPad mobile device management, and e-learning solutions.[5]
Successor Franchise Fee	$10,000	When you sign successor franchise agreement (if you have that right)	
Transfer of Franchise Rights or Controlling Ownership Interest in Franchisee	$10,000	Upon transfer	
Transfer of Non-Controlling Ownership Interest in Franchisee	$1,000	Upon transfer	
Annual Meeting / Convention	Will vary under circumstances (not to exceed $1,000 per person; does not include your actual out-of-pocket attendance costs paid to third parties)	As incurred	You (or your designated representative we approve) may attend an annual franchisee meeting, in which case you must pay an attendance fee.

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Column 1 Type of Fee[1, 6]	Column 2 Amount[2]	Column 3 Due Date	Column 4 Remarks
Product and Service Purchases	Varies depending on products and services you buy from us or our affiliates	As incurred	During the franchise term, you must buy certain products and services from us or our affiliates, from designated or approved distributors and suppliers, or according to our standards and specifications. If we require you to buy any products or services from us or our affiliates, we will give you a price list identifying the applicable costs.
Supplemental Training You Request to be Provided at Your Store	Up to $1,500 per trainer per day plus expenses	As incurred	If you request training courses or programs to be provided locally, you must pay our then-current training fee and our training personnel's travel and living expenses.
Testing and Evaluation Costs	Actual testing/evaluation costs incurred (amount depends on circumstances, including supplier's location, testing required, and item involved)	As incurred	Covers our actual costs of testing new products/services or inspecting new suppliers you propose.
Relocation	$5,000 plus reasonable costs we incur	As incurred	Due only if you relocate Store with our approval.
Audit	Cost of inspection or audit, including legal fees and independent accountants' fees, plus travel expenses, room and board, and compensation of our employees (amount depends on nature and extent of your non-compliance)	As incurred	Due if you fail to report or understate Gross Sales by 2% or more.

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Column 1 Type of Fee[1, 6]	Column 2 Amount[2]	Column 3 Due Date	Column 4 Remarks
Interest	Lesser of 1.5% per month or highest commercial contract interest rate law allows	When invoiced	Due on past due amounts.
Administrative Fee	$100	When invoiced	Due for each late or dishonored payment.
Costs and Attorneys' Fees	Varies under circumstances and depends on nature of your non-compliance	As incurred	Due when you do not comply with Franchise Agreement.
Indemnification	Varies under circumstances and depends on nature of third-party claim	As incurred	You must reimburse us for all claims and losses arising out of (i) Store's construction, design, or operation, (ii) the business you conduct under Franchise Agreement, (iii) your non-compliance or alleged non-compliance with any law, (iv) a data security incident, or (v) your breach of Franchise Agreement. You have similar indemnification obligations under the Manufacturing Agreement.
Management Fee	Up to 10% of Gross Sales, plus any out-of-pocket expenses incurred in connection with Store's management	As incurred	Due if we assume Store's management in certain situations.
Reimbursement for Third-Party Service Providers	Out-of-pocket cost reimbursement	As incurred	We have the right to require you to reimburse us for costs of third-party quality-assurance, food-safety-audit, guest-satisfaction, and "mystery-shop" programs we institute for 7 BREW Stores.
Tax Reimbursement	Out-of-pocket cost reimbursement	As incurred	You must reimburse us for taxes we must pay any state taxing authority on account of either your operation or your payments to us (except for our income taxes).

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Column 1 Type of Fee[1, 6]	Column 2 Amount[2]	Column 3 Due Date	Column 4 Remarks
Insurance Reimbursement	Out-of-pocket cost reimbursement	As incurred	You must reimburse our costs if we obtain insurance coverage for Store because you fail to do so.
Deficiency Correction Fee	Out-of-pocket cost reimbursement	As incurred	You must reimburse our costs if we correct a Store deficiency because you fail to do so when required.
De-Identification Fee	Cost reimbursement	As incurred	You must reimburse our costs of de-identifying your Store if you fail to do so.

Notes:

1. Except as noted above and except for certain product and service purchases, all fees are imposed and collected by and payable to us. We and our affiliates do not impose any fees or payments on, or collect any fees or payments from, you on a third party's behalf. No fee is refundable. While all fees are generally uniformly imposed, we previously provided a Royalty concession to certain franchisees and their affiliates committing to develop 10 or more 7 BREW Stores by increasing the Gross Sales level at which they must pay the higher percentage Royalty Fee. We might in the future grant economic concessions to certain franchisees depending on the size of their proposed multi-unit development and other business considerations.

2. We reserve the right to increase any fixed fee, fixed payment, or fixed amount (i.e., not stated as a percentage) under the Franchise Agreement based on changes in the Index (defined below) ("Annual Increase"). An Annual Increase may occur only once per calendar year and may not exceed the corresponding cumulative increase in the Index since the Franchise Agreement's effective date or, as the case may be, since the date on which the last Annual Increase became effective for the particular fixed fee, payment, or amount being increased. Any and all Annual Increases will be made during the same month during each calendar year. "Index" refers to the Consumer Price Index for All Urban Consumers (CPI-U) for the U.S. City Average, All Items (1982 – 1984 = 100), not seasonally adjusted, as published by the United States Department of Labor, Bureau of Labor Statistics, or in a successor index. We also reserve the right—if any fixed fee, payment, or amount due from you under the Franchise Agreement encompasses any third-party charges we collect from you on a pass-through basis (*i.e.*, for ultimate payment to the third party)—to increase the fixed fee, payment, or amount beyond the Annual Increase to reflect increases in the third party's charges to us (we do not expect these increases in the third party's charges to be on account of benefits we receive from the third party).

3. "Gross Sales" means the aggregate amount of all revenue and other consideration generated from any source, including from selling products, services, and merchandise; other types of revenue you receive, including the proceeds of business interruption

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insurance; and (if we allow barter) the value of products, services, and merchandise bartered in exchange for the Store's products, services, or merchandise. However, Gross Sales exclude: (i) federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority; (ii) proceeds from insurance, excluding business interruption insurance; and (iii) proceeds from any civil forfeiture, condemnation, or seizure by government entities.

In addition, Gross Sales are reduced by the value of employee discounts and promotional or marketing discounts offered to the public not exceeding, in the aggregate, 2% of the Store's weekly Gross Sales. Each charge or credit sale will be treated as a sale for the full price on the day the charge or sale is made, regardless of when you receive payment (whether full or partial, or at all) on that sale. Revenue from gift/loyalty/stored-value cards and similar items we approve for sale at 7 BREW Stores is included in Gross Sales when the card or other item is used to pay for products and services. Your Store may not issue or redeem any coupons or gift/loyalty/stored-value or similar cards unless we first approve in writing their form and content and your proposed issuing and honoring/redemption procedures. We have the right to grant or withhold our approval as we deem best.

We have the right to modify our policies and practices regarding revenue recognition, revenue reporting, and the inclusion or exclusion of certain revenue from "Gross Sales" as circumstances, business practices, and technology change.

4. Each calendar week currently begins on Monday and ends on Sunday, although we have the right to change the first and last days of each calendar week for Royalty (and other payment) calculation purposes. You must authorize us to debit your business checking or other account automatically for the Royalty, Brand Fund contribution, Tech Fees, and other amounts due under the Franchise Agreement or otherwise. We will debit your account on or after the payment due date for the amounts due. Funds must be available in the account for withdrawal. You must reimburse any "insufficient funds" charges and related expenses we incur due to your failure to maintain sufficient funds in your bank account.

   If you fail to report the Store's Gross Sales when required, we have the right to debit your account for 125% of the Royalty, Brand Fund contribution, and Tech Fees we debited for the previous payment period. If the amount we debit is less than the amount you actually owe us (once we determine the Store's actual Gross Sales), we will debit your account for the balance due on the day we specify. If the amount we debit is greater than the amount you actually owe us (once we determine the Store's actual Gross Sales), we will credit the excess, without interest, against the amount we have the right to debit for the following payment period.

5. 7 BREW Stores that we or our affiliates own will pay Tech Fees on the same percentage basis as franchisees. We have the right to allocate and spend Tech Fees in our sole judgment, including for salaries, wages, and benefits, direct technology program costs, and overhead expenses for these activities. Despite payment of the Tech Fees to us, you must pay third-party vendors for the costs of and support services for your Store's

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computer system. We have no obligation to account to you or other franchisees for our use of Tech Fees or to ensure that you or the Store benefits directly or pro rata based on your payments of Tech Fees.

6. We do not have the right to require the formation of advertising cooperatives.

Item 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Development Fee and First Initial Franchise Fee (minimum 2-Store commitment) (Note 1)	$45,000	Lump sum	Upon signing first Franchise Agreement and DRR	Us
Rent and Security Deposit (Note 2)	$5,000 to $20,000	Monthly	As incurred	Third Party (your landlord)
Building / Build-Out Costs (Note 2)	$315,500 to $439,000	Lump sum or financed	As incurred	Our Affiliate or Third Parties (your landlord and/or contractor)
Site Development Costs (Note 2)	$229,000 to $784,000	Lump sum or financed	As incurred	Third Parties (your landlord and/or contractor)
Architectural and Engineering Fees	$10,000 to $45,000	Lump sum or financed	As incurred	Third Parties (your landlord and/or contractor)

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Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Store Equipment, Fixtures, and Furniture (Note 3)	$135,000 to $217,000	Lump sum or financed	As incurred	Approved Suppliers
Signs	$25,000	Lump sum or financed	As incurred	Approved Suppliers
Point-of-Sale System (Note 3a)	$15,000 to $25,000	Lump sum or financed	As incurred	Approved Suppliers
Opening Inventory, Supplies, and Uniforms (Note 4)	$27,000 to $40,000	Lump sum	Before opening	Approved Suppliers
Business and Operating Permits (Note 5)	$2,500 to $25,000	As incurred	As incurred	Licensing Authorities
Initial Training Travel & Living Expenses (Note 6)	$25,000 to $50,000	As incurred	As incurred	Employees / Vendors
Utilities	$750 to $3,000	As incurred	As incurred	Licensing Authorities
Insurance (Note 7)	$2,550 to $5,500	As incurred	As incurred	Insurance Company / Broker

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