

ITEM 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 if 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) franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

DEFINITIONS

- (a) Calendar Year – means, as to each respective year, the 12-month period commencing on January 1 and ending on December 31.
- (b) Company Owned Outlet – means an Outlet owned either directly or indirectly by us, our affiliate or any person identified in Item 2 of this Disclosure Document. A Company Owned Outlet also includes any Outlet that is operated as a joint venture owned in part by us, our affiliate or any person identified in Item 2 of this Disclosure Document, or that is managed by us our affiliate or any person identified in Item 2.
- (c) Direct Gross Profit – means Gross Sales less Food Cost, Paper Goods Cost, and Direct Labor Cost. Direct Gross Profit is not net profit or income and, except as to Food Cost, Paper Goods Cost, and Direct Labor Cost, does not include the deduction of all other expenses incurred by a Shop including, but not limited to, marketing expenses, insurance expenses, operating expenses, or general expenses including, but not limited to interest, taxes, depreciation, amortization, and Franchise Related Expenses.
- (d) Direct Labor Cost – means the gross wages paid to employees in connection with the preparation and service of menu items. Direct Labor Cost does not include gross wages paid to general managers and assistant managers. Direct Labor Cost does not include compensation paid to an owner operator of either a Franchise Outlet or Company Owned Outlet.
- (e) Disclosed Expenses – means the following select expenses: rent, credit card transaction fees, utilities, marketing and advertising.
- (f) Food Cost – means the direct costs incurred by the Shop for all food and beverage ingredient items that are used in preparing a menu item. Food Cost does not include Paper Goods Cost, Direct Labor Cost, or other expenses.
- (g) Franchise Outlet – refers to a Shop operated under a Franchise Agreement that is not a Company Owned Outlet.
- (h) Franchise Related Expenses – means the following select fees currently required under the Franchise Agreements: Royalty Fees, Brand Development Fund Fees, Technology Fees, and local marketing expenditures. Franchise Related Expenses do not include all fee and payment obligations required under a Franchise Agreement.

- (i) Gross Sales – means the total revenue derived by each Shop less sales tax, discounts, allowances, and returns.
- (j) New Company Owned Outlet – means, as to a particular Calendar Year, a Company Owned Outlet that for the first time opened and commenced operations during the Calendar Year. For example, if a Company Owned Outlet first opened for business in February 2023, as to the 2023 Calendar Year, the Company Owned Outlet would qualify as a New Company Owned Outlet and not as an Operational Company Owned Outlet, see definition below. If this Company Owned Outlet remained in operation throughout the 2024 Calendar Year, it would qualify as an Operational Company Owned Outlet during the 2024 Calendar Year.
- (k) New Franchise Outlet – means, as to a particular Calendar Year, a Franchise Outlet that for the first time opened and commenced operations during the Calendar Year. For example, if a Franchise Outlet first opened for business in February 2023, as to the 2023 Calendar Year, the Franchise Outlet would qualify as a New Franchise Outlet and not as an Operational Franchise Outlet, see definition below. If this Franchise Outlet remained in operation throughout the 2024 Calendar Year, it would qualify as an Operational Franchise Outlet during the 2024 Calendar Year.
- (l) Operational Company Owned Outlet – means, as to a particular Calendar Year, a Company Owned Outlet that was open and in operation on or prior to the commencement of the Calendar Year. For example, if a Company Owned Outlet first opened for business in February 2023, as to the 2023 Calendar Year, the Company Owned Outlet would qualify as a New Company Owned Outlet, see definition above, and not as an Operational Company Owned Outlet. If this Company Owned Outlet remained in operation throughout the 2024 Calendar Year, it would qualify as an Operational Company Owned Outlet during the 2024 Calendar Year.
- (m) Operational Franchise Outlet – means, as to a particular Calendar Year, a Franchise Outlet that was open and in operation prior to the commencement of the Calendar Year. For example, if a Franchise Outlet first opened for business in February 2023, as to the 2023 Calendar Year, the Franchise Outlet would qualify as a New Franchise Outlet, see definition above, and not as an Operational Franchise Outlet. If this Franchise Outlet remained in operation throughout the 2024 Calendar Year, it would qualify as an Operational Franchise Outlet during the 2024 Calendar Year.
- (n) Outlet – refers to a Shop that is either a Company Owned Outlet or a Franchise Outlet, as the context requires.
- (o) Paper Goods Cost – means the direct costs incurred by the Shop for all paper goods including cups, utensils, packaging, and materials used to serve menu items. Paper Goods Cost does not include Food Cost, Direct Labor Cost, or other expenses.

BASES AND ASSUMPTIONS

The financial information was not prepared on a basis consistent with generally accepted accounting principles. Data for our Company Owned Outlets is based on information reported to us by our affiliates. We do not have any open Franchise Outlets. The information in this analysis has not been audited, is based on historical financial data, and is not a forecast or projection of future financial performance.

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ANALYSIS OF RESULTS OF COMPANY OWNED OUTLETS

During the 2023 Calendar Year we had three Company Owned Outlets. Of these three Company Owned Outlets, one Outlet was an Operational Company Owned Outlet, and two Outlets were New Company Owned Outlets. During the 2024 Calendar Year we had four Company Owned Outlets. Of these four Company Owned Outlets, three Outlets were Operational Company Owned Outlet, and one Outlet was a New Company Owned Outlet. Our Company Owned Outlets are described in Table 1 below. In Tables 2, 3 and 4 we disclose financial data regarding our Company Owned Outlets for the year(s) that they qualified as Operational Company Owned Outlets.

. The table below provides a summary of our Company Owned Outlets.

Table 1

Company Owned Outlet Summary

| Outlet | Outlet Description |
|----------------------------------|--|
| San Francisco #1 – Fourth Street | Our San Francisco #1 Fourth Street Outlet opened for business in June 2022 and is located at 370 4 th Street, San Francisco, California 94107. This Outlet operates in a Shop Location that is located in a corner store located in a retail building. This Outlet is approximately 1,800 square feet and has seating for 34 people. This Outlet is representative of the Franchised Business and constitutes an Operational Company Owned Outlet for the 2023 and 2024 Calendar Years. |
| Oakland W. Grand Ave. | Our Oakland W Grand Street Outlet opened for business in Feb 2023 and is located at 420 W Grand Ave, Oakland 95612. This Outlet operates in a Shop Location that is located in a Commercial Complex Building. This Outlet is approximately 1780 square feet and has seating for 32 people. This Outlet is representative of the Franchised Business and constitutes an Operational Company Owned Outlet for the 2024 Calendar Years. |
| Berkeley | Our Berkeley Euclid Ave Outlet opened for business in September 2023 and is located at 1807 Euclid Ave, Berkeley, Ca 94709 . This Outlet operates in a Shop Location that is located in a Commercial One story Building (Retail) next to UC Berkeley. This Outlet is approximately 1860 square feet and has seating for 40 people. This Outlet is representative of the Franchised Business and constitutes an Operational Company Owned Outlet for the 2024 Calendar Years. |
| San Francisco #2 – Sansome | Our San Francisco #2 – Sansone Outlet opened for business in July 2024 and is located at 450 Sansome Street, San Francisco, California 94111. This Outlet operates in a Shop Location that is located on the bottom floor of a 15-story office building, facing the street. This Outlet is approximately 2,100 square feet and has seating for approximately 42 people. This Outlet is representative of the Franchised Business and constitutes a New Company Owned Outlet for the 2024 Calendar Year. As such, we do not provide data for this Outlet during the 2024 Calendar Year. |

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Table 2

| Company Owned Outlet: San Francisco #1 – Fourth Street Gross Sales and Disclosed Expenses Information | | | | |
|--|--------------------|----------------|--------------------|----------------|
| | 2023 Calendar Year | | 2024 Calendar Year | |
| | Total | % ¹ | Total | % ¹ |
| Total Gross Sales | \$1,122,970 | 100.00% | \$1,140,063 | 100.00% |
| Less: | | | | |
| Food Cost | (\$306,856) | 27.33% | (\$307,324) | 26.96% |
| Paper Goods Cost | (\$13,200) | 1.18% | (\$12,980) | 1.14% |
| Direct Labor Cost | (\$395,345) | 35.21% | (\$387,187) | 33.96% |
| Direct Gross Profit | \$407,570 | 36.29% | \$432,572 | 37.94% |
| Less: Disclosed Expenses | | | | |
| Rent | (\$71,400) | 6.36% | (\$71,400) | 6.26% |
| Credit Card Transaction Fees | (\$5,856) | 0.52% | (\$5,856) | 0.51% |
| Utilities | (\$37,600) | 3.35% | (\$39,900) | 3.50% |
| Marketing and Advertising | (\$8,400) | 0.75% | (\$8,400) | 0.74% |
| Direct Gross Profit Less Disclosed Expenses | \$284,314 | 25.32% | \$307,016 | 26.93% |
| Less: Adjustments for Select Franchise Related Expenses | | | | |
| Royalty Fee ² | (\$50,533) | 4.50% | (\$51,303) | 4.50% |
| Brand Development Fund Fee ³ | N/A | 0.00% | N/A | 0.00% |
| Technology Fee ⁴ | N/A | 0.00% | N/A | 0.00% |
| Local Marketing ⁵ | (\$2,830) | 0.25% | (\$3,001) | 0.26% |
| Direct Gross Profit Less Disclosed Expenses and Select Franchise Related Expenses | \$230,951 | 20.57% | \$252,712 | 22.17% |

Notes to Table:

¹ “%” represents the percentage of total Gross Sales.

² The Royalty Fee is equal to 4.5% of Gross Sales.

³ The Brand Development Fund Fee is currently not assessed, but we reserve the right to charge a Brand Development Fund Fee of up to 2% of Gross Sales.

⁴ The Technology Fee is currently not assessed. However, we reserve the right to charge a Technology Fee of up to \$500 per month.

⁵ On an on-going monthly basis, you must spend not less than 1% of Gross Sales on the local marketing of your Shop. This adjustment reflects the difference between the local marketing requirement in Item 6 of this Disclosure Document and the actual marketing expenses of this Outlet as disclosed in Disclosed Expenses for the 2023 and 2025 Calendar Years.

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Table 3

| Company Owned Outlet: Oakland W. Grand Ave. Gross Sales and Disclosed Expenses Information | | |
|---|--------------------|----------------|
| | 2024 Calendar Year | |
| | Total | % ¹ |
| Total Gross Sales | \$834,648 | 100.00% |
| Less: | | |
| Food Cost | (\$225,315) | 27.00% |
| Paper Goods Cost | (\$9,680) | 1.16% |
| Direct Labor Cost | (\$221,400) | 26.53% |
| Direct Gross Profit | \$378,253 | 45.32% |
| Less: Disclosed Expenses | | |
| Rent | (\$95,040) | 11.39% |
| Credit Card Transaction Fees | (\$5,495) | 0.66% |
| Utilities | (\$42,000) | 5.03% |
| Marketing and Advertising | (\$8,400) | 1.01% |
| Direct Gross Profit Less Disclosed Expenses | \$227,318 | 27.24% |
| Less: Adjustments for Select Franchise Related Expenses | | |
| R royalty Fee ² | (\$37,559) | 4.50% |
| Brand Development Fund Fee ³ | N/A | 0.00% |
| Technology Fee ⁴ | N/A | 0.00% |
| Local Marketing ⁵ | N/A | N/A |
| Direct Gross Profit Less Disclosed Expenses and Select Franchise Related Expenses | \$189,759 | 22.74% |

Notes to Table:

¹ “%” represents the percentage of total Gross Sales.

² The Royalty Fee is equal to 4.5% of Gross Sales.

³ The Brand Development Fund Fee is currently not assessed, but we reserve the right to charge a Brand Development Fund Fee of up to 2% of Gross Sales.

⁴ The Technology Fee is currently not assessed. However, we reserve the right to charge a Technology Fee of up to \$500 per month.

⁵ On an on-going monthly basis, you must spend not less than 1% of Gross Sales on the local marketing of your Shop. We do not make an adjustment for local marketing during the 2024 Calendar Year because our Company Owned Outlet spent more than 1% of its Gross Sales on local marketing during the 2024 Calendar Year.

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Table 4

| Company Owned Outlet: Berkeley Gross Sales and Disclosed Expenses Information | | |
|--|--------------------|----------------|
| | 2024 Calendar Year | |
| | Total | % ¹ |
| Total Gross Sales | \$557,339 | 100.00% |
| Less: | | |
| Food Cost | (\$150,481) | 27.00% |
| Paper Goods Cost | (\$6,186) | 1.11% |
| Direct Labor Cost | (\$174,000) | 31.22% |
| Direct Gross Profit | \$226,672 | 40.67% |
| Less: Disclosed Expenses | | |
| Rent | (\$42,000) | 7.54% |
| Credit Card Transaction Fees | (\$5,484) | 0.98% |
| Utilities | (\$30,840) | 5.53% |
| Marketing and Advertising | (\$8,400) | 1.51% |
| Direct Gross Profit Less Disclosed Expenses | \$139,948 | 25.11% |
| Less: Adjustments for Select Franchise Related Expenses | | |
| Royalty Fee ² | (\$25,080) | 4.50% |
| Brand Development Fund Fee ³ | N/A | 0.00% |
| Technology Fee ⁴ | N/A | 0.00% |
| Local Marketing ⁵ | N/A | N/A |
| Direct Gross Profit Less Disclosed Expenses and Select Franchise Related Expenses | \$114,868 | 20.61% |

Notes to Table:

¹ “%” represents the percentage of total Gross Sales.

² The Royalty Fee is equal to 4.5% of Gross Sales.

³ The Brand Development Fund Fee is currently not assessed, but we reserve the right to charge a Brand Development Fund Fee of up to 2% of Gross Sales.

⁴ The Technology Fee is currently not assessed. However, we reserve the right to charge a Technology Fee of up to \$500 per month.

⁵ On an on-going monthly basis, you must spend not less than 1% of Gross Sales on the local marketing of your Shop. We do not make an adjustment for local marketing during the 2024 Calendar Year because our Company Owned Outlet spent more than 1% of its Gross Sales on local marketing during the 2024 Calendar Year.

Some Outlets have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.

Written substantiation of the data used in preparing these sales figures will be made available to you upon reasonable request.

Other than the preceding financial performance representations, Delah Coffee Franchising, LLC does 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 Majed Jahamee, Delah Coffee Franchising, LLC, 7075 Commerce Circle, Pleasanton, California 94588, and 510-688-3333, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2022 to 2024

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---------------|------|----------------------------------|--------------------------------|------------|
| Franchised | 2022 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 |
| Company Owned | 2022 | 0 | 1 | +1 |
| | 2023 | 1 | 3 | +2 |
| | 2024 | 3 | 4 | +1 |
| Total Outlets | 2022 | 0 | 1 | +1 |
| | 2023 | 1 | 3 | +2 |
| | 2024 | 3 | 4 | +1 |

TABLE NO. 2
TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
FOR YEARS 2022 to 2024

| State | Year | Number of Transfers |
|-------|------|---------------------|
| None | 2022 | 0 |
| | 2023 | 0 |
| | 2024 | 0 |

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