



(FORMERLY KKK COFFEE)

PARTNERSHIP OVERVIEW (applicable to first six branches only)
version January 15, 2017

*The information on this overview may change without prior notice. The management of KapeTayo Coffee has the right to change the information on this overview without prior notice to the recipient. This document serves only as an overview of the engagement, so please confirm with KapeTayo Coffee the currency of the details on this document before any engagement.

<p>1 Set-up Costs</p> <p>Coffee Bar Set-up</p> <p>Equipment</p>	<p>For this type of partnership, the set-up cost of the physical space and the equipment will be borne by the partner. They may design their coffee space (café, inline restaurant, kiosk, or pop-up bar) by their own specifications as long as there is KapeTayo Coffee branding (primarily color red detailing) for the store signage (interior and exterior) and the quality of the build, set-up/premises, coffee, products, and service match or exceed what is currently offered at the main KapeTayo Coffee café area (SM Marikina branch, as model).</p> <p>For the location set-up for mall kiosks, typical cost for an 18sqm mall kiosk with sitting area: ~Php 400k. Typical cost for coffee bar equipment for this set-up is Php ~30k. The costs will be larger for an inline store (not kiosk) at a mall space. For a free-standing café (<50sqm), the costing may be similar, dependent on the design of the space.</p> <ul style="list-style-type: none"> • To give you an idea, or for the purpose of calculating for projections, main overhead costs for a mall-based 18sqm kiosk are: <ul style="list-style-type: none"> ○ In SM City Marikina, rent for an 18sqm is Php 37,000 (+VAT and electricity). ○ Salaries for baristas set at or slightly higher than minimum wage.
<p>2 Consumables</p> <p>Beverage Ingredients</p> <p>Food</p> <p>Disposables</p>	<ul style="list-style-type: none"> • The special beverage ingredients (such as coffee beans, pandan, and other specialty items) will be procured and ordered from KapeTayo Coffee by the partner. Other ingredients such as water, sugar may be procured from their own suppliers. • Disposables such as paper cups, etc that have the KapeTayo Coffee branding must be ordered from KapeTayo Coffee/HQ (when available). • For the purpose of computing for your projections: <ul style="list-style-type: none"> ○ Typical cost of ingredients for drink + packaging: Php 15** ○ Typical (low average) retail price of drink + packaging: Php 85** ○ A conservative approximation, 60% (to 66%) of customers buy food with their beverage orders. ○ <i>** All these rates are for improvement and development (larger profit margins, better costing/suppliers) by KKK HQ and via its cooperation and information sharing with partners.</i>

<p>3 Fee</p>	<p>This partnership fee for each contract is waived by KapeTayo Coffee for the first six establishments (branches where Branch #1 is in SM Marikina) or until the August 2017. By September 2017, a partnership fee (similar to a franchising fee) will be served.</p> <p>Also, for branches beyond Manila, the partner will have to provide airfare and accommodations for 1 to 2 days for BT and KKK Representative for the opening of the new branch (for marketing purposes and for initial quality control and checking). The partner must provide travel fare and accommodations (overnight) for one person (manager or higher from KapeTayo Coffee) every six months for quality checking and monitoring).</p>
<p>4 Training and HR</p>	<p>All new branches must send personnel for barista-training at the Marikina branch of KapeTayo Coffee. Each barista-in-training must complete 112 hours of training at the Marikina branch (weekdays and weekend work). Schedule will be assigned by HQ. After which, and post-opening, the partner will hold coffee-sampling and testing once-a-month 1 to 2-hour sessions for HQ (to inspect brewing standards of the location). All new baristas with the branch must undergo training with HQ (shorter courses compared to the first initial several personnel). All serving staff should have their valid health IDs and documents that are required by government (or local government). All staff will have NDAs (nondisclosure agreements).</p> <p>There will also be a special training course that HQ requires of partners. The training will be with the training partner of KapeTayo Coffee (a coffee shop school/institution, not KapeTayo Coffee). The cost for training will be shouldered by the partner at not more than Php 50,000. All partners who are putting up their own branches must undergo this training (covers operations management, coffee preparations knowhow, and coffee education).</p>
<p>5 Bookkeeping/Accounting, Royalties and Territories</p>	<p>9% of gross sales</p> <ul style="list-style-type: none"> • 9% of gross sales of beverage sales (coffee, non-coffee, water) • 9% of gross sales of non-beverages (food etc) that are supplied by HQ • The partner is not allowed to create new products or product lines that are competitive to existing or new products or product lines by the brand. For example, should HQ be launching a pan de sal line in the future, and if the partner decides to also sell pan de sal in the partner's location, the partner must source all supplies of pan de sal from HQ. All product offerings developed by the partner is for approval by HQ. • The partner is required to subscribe to the services of the accounting/bookkeeping agency that is partnered with KapeTayo Coffee – to standardize sales reporting and tax compliance. <p>All events (sales, marketing, pr, etc), media exposures, promotions, and campaigns (pop up shops, etc) that are inquired with or coursed through the partner must be referred to, managed, and operated by HQ.</p>

<p>6 Marketing and Branding</p>	<p>The partner may create and run any form of marketing exercise for his location. The partner will have to get approval from HQ for certain more aggressive and creative marketing campaigns/promo, especially those that require price changes, merchandise items, new packaging, etc. The partner is required to maintain the logo application guidelines provided by HQ. The costs for any marketing campaign by the partner for his/her location will be shouldered by the partner.</p>
<p>7 Non-disclosure and Non-compete</p>	<p>Your receipt of this document means that you agree not to disclose any information on this document and information that you may have obtained regarding the company, including, but not limited to, its business methods, operating procedures, intellectual property, costing and pricing strategies, and other information that the company has declared confidential.</p> <p>The partner agrees that KapeTayo Coffee may require the partner to not set-up a similar/competitive form of business from their knowledge of operations, strategies from their partnership with KapeTayo Coffee.</p>
<p>8 Partnership</p>	<p>It is understood that while this engagement is a partnership KapeTayo Coffee reserves the right to require the partner to maintain the standards of the brand in its presentation, quality of set-up, food quality, and service and that both KapeTayo Coffee and its partners share information with each other on how to further develop the brand and the coffee and service. Fee for preparation of professional legal documents (agreement between KapeTayo Coffee and partner is Php 35,000 per branch).</p> <p>There will also be a quarterly assessment of the physical space, service, and food of the partner by the staff of KapeTayo Coffee HQ. Should the location of the branch be away from Metro Manila, the partner and HQ will split the fare and accommodations for the visiting staff and assessment shall happen every quarter or every six months.</p> <p>There must be a six-month notice for a dissolution or closing down (last day of 100% full operations) of a branch (not including period of limited operations before closing down).</p> <p>If the location/venue was assigned to the partner through/with the efforts of KapeTayo Coffee HQ:</p> <p>KapeTayo Coffee HQ will have the exclusive rights to manage the rental agreements for the location of the branch that is closing down (rental will be paid by the partners per their contract with the venue owner). HQ may determine that the franchise should continue under new management or another set of partners. The partner may not assign the rights to their location to another business entity or business. in the same location. The partner may not change their existing set-up into a new form of business (for example, close down the branch and use the same location for a new food-business).</p>



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9 Liabilities and Government Requirements	The partner is liable for all situations and incidents in his/her location. The partner must also secure insurances for food poisoning and other necessary coverage for his/her location, plus <u>all</u> forms of compliance, permits, documents, and legalities (including sanitary permits and BIR documents) required by government for business operations. KapeTayo Coffee will not be liable for <u>all</u> incidents, materials, and personnel within/from the branch's location and from the products sold by that location.
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Join us as we envision KapeTayo Coffee Co. / KapeTayo Coffee to be the biggest Filipino coffee brand in the world

- with the largest network of coffee shops and cafes in the Philippines
- with the most expansive presence of Filipino coffee cafés and coffee-culture through the Filipino diaspora around the world

By 2017, we plan to expand to

- institutional sales/offering
- online sales
- bottled coffee drinks

Kape para sa lahat!

This document is not valid unless signed and unless it bears the name of the intended recipient:

Received by _____

Date _____

Prepared by _____ for KAPETAYO COFFEE