



®

**FRANCHISE OFFERING CIRCULAR
FOR PROSPECTIVE FRANCHISEES**

April 2007



BARNIE'S COFFEE & TEA COMPANY, INC.

**INFORMATION FOR PROSPECTIVE FRANCHISEES
REQUIRED BY FEDERAL TRADE COMMISSION**

To protect you, we've required your franchisor to give you this information. We haven't checked it, and don't know if it's correct. It should help you make up your mind. Study it carefully. While it includes some information about your contract, don't rely on it alone to understand your contract. Read all of your contract carefully. Buying a franchise is a complicated investment. Take your time to decide. If possible, show your contract and this information to an advisor, like a lawyer or an accountant. If you find anything you think may be wrong or anything important that's been left out, you should let us know about it. It may be against the law.

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

Federal Trade Commission
Washington, D.C. 20580

EFFECTIVE DATE: See Exhibit G

FRANCHISE OFFERING CIRCULAR



BARNIE'S FRANCHISE SERVICE, LLC

(a Florida limited liability company)

2126 W. Landstreet Road, Suite 300

Orlando, Florida 32809

Telephone: (407) 854-6600

www.barniescoffee.com

Barnie's Franchise Service, LLC ("we" or "us") offers a single unit franchise, pursuant to a standard form franchise agreement (the "Franchise Agreement"), to own and operate a retail store offering gourmet coffee, tea, pastries and related products and accessories to the public (the "Store") under the mark "BARNIE'S COFFEE & TEA COMPANY," as well as other trademarks, service marks, trade names and commercial symbols (collectively, the "Marks"). We also offer an "Area Development" franchise, pursuant to a standard form area development agreement (the "Area Development Agreement"), for the right to develop multiple Stores in a specified area. Finally, we offer a "Regional Director" franchise, pursuant to a standard form regional director agreement (the "Regional Director Agreement"), for the right, in a specific geographic area, to recruit prospective Barnie's Coffee & Tea Company Store franchisees and provide ongoing site and operating support and supervision those franchisees in exchange for a share of various franchise fees.

The initial fee for a Store franchise is \$25,000. The initial investment required per Store, including the initial franchise fee, is estimated to be between \$263,500 and \$372,000 depending, in part, on real estate costs and location of the Store.

The initial fee for an Area Development franchise is an amount equal to \$5,000 times the number of Stores the Area Developer commits to build and operate. Area Developers must also pay the \$25,000 initial franchise fee for each Store they open, although Area Developers may qualify for a \$2,000 discount on the initial fee with respect to each Store that they open ahead of schedule, as further described in Item 5 of this Offering Circular. The initial investment required of Area Developers is estimated to be between \$15,500 and \$26,500 (based on a 2-store development commitment) plus the individual Store initial investment described in Item 7 of this Offering Circular, for each Store developed.

The initial fee for Regional Directors will vary depending upon the population of the Regional Director Territory, and can range from \$50,000 to \$500,000. See Item 5. The total estimated initial investment to establish a Regional Director business is \$55,000 to \$561,000, which amount will vary based on the population and characteristics of the Regional Director Territory. We base this range on organizational and overhead expenses during the first 3 months after you sign the Regional Director Agreement.

RISK FACTORS:

- 1. THE FRANCHISE AGREEMENT PERMITS THE FRANCHISEE TO SUE ONLY IN THE STATE OF FLORIDA EXCEPT IN THE CASE OF INJUNCTIVE ACTION. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY COST MORE TO SUE THE FRANCHISOR IN FLORIDA THAN IN YOUR HOME STATE.**
- 2. THE FRANCHISE AGREEMENT STATES THAT FLORIDA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE YOU THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS. SOME STATE FRANCHISE LAWS PROVIDE THAT CHOICE OF LAW PROVISIONS ARE VOID OR SUPERSEDED. YOU MIGHT WANT TO INVESTIGATE WHETHER YOU ARE PROTECTED BY A STATE FRANCHISE LAW. YOU SHOULD REVIEW ANY ADDENDA OR RIDERS ATTACHED TO THIS OFFERING CIRCULAR FOR DISCLOSURES REGARDING STATE FRANCHISE LAWS.**
- 3. THE FRANCHISE AGREEMENT PERMITS US AND OUR AFFILIATES TO ESTABLISH OTHER FRANCHISED OR COMPANY-OWNED LOCATIONS AT ANY LOCATION OTHER THAN YOUR FRANCHISED LOCATION AND TO SELL OR DISTRIBUTE ANY PRODUCT OR SERVICE TO THE GENERAL PUBLIC, OR TO ESTABLISH OTHER CHANNELS OF DISTRIBUTION WHICH MAY COMPETE WITH YOUR FRANCHISE.**
- 4. THE REGIONAL DIRECTOR AGREEMENT GRANTS YOU ONLY A NON-EXCLUSIVE RIGHT TO RECRUIT PROSPECTIVE FRANCHISEES AND PERMITS US TO SOLICIT AND ESTABLISH FRANCHISES AND COMPANY-OWNED LOCATIONS WITHIN YOUR REGIONAL DIRECTOR TERRITORY, WHICH MAY COMPETE WITH YOUR FRANCHISE.**
- 5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.**

Information comparing franchisors is available. Call the state administrators listed in Exhibit G to this Offering Circular and/or your public library for sources of information.

REGISTRATION OF THIS FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS OFFERING CIRCULAR. IF YOU LEARN THAT ANYTHING IN THIS OFFERING CIRCULAR IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND ANY APPLICABLE STATE AUTHORITY AS LISTED IN EXHIBIT G TO THIS OFFERING CIRCULAR.

EFFECTIVE DATE: The effective dates of this Offering Circular in the states with franchise registration laws are as set forth in Exhibit G.

**NOTICE REQUIRED
BY
STATE OF MICHIGAN**

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.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (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.

**THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF
MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.**

- (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.

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

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Applicable state law may require additional disclosures related to the information contained in this offering circular. These additional disclosures, if any, appear in Exhibit I.

ITEM 1
THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

To simplify the language in this Offering Circular, “you” means the person who buys the Franchise. If you are a corporation, partnership, limited liability company or other entity, certain provisions of the Franchise Agreement will also apply to your owners. “We” or “us” refers to the Franchisor, Bernie’s Franchise Service, LLC.

The Franchisor We are a Florida limited liability company, organized on July 27, 2006. Our principal business address is 2126 W. Landstreet Road, Suite 300, Orlando, Florida 32809. We conduct business under our entity name and under the name Bernie’s Coffee & Tea Company. Except as disclosed in this Item 1, neither we, nor any affiliate, has conducted business or offered franchises in any other lines of business. Our registered agents for service of process are disclosed in Exhibit G to this Offering Circular. We offer the Store, Area Development and Regional Director franchises, all as described below.

We have one predecessor, Bernie’s Coffee & Tea Company, Inc. (“Bernie’s I”), a Florida corporation, incorporated on December 31, 1981, with a principal business address of 2126 W. Landstreet Road, Suite 300, Orlando, Florida 32809. Bernie’s I is also an affiliate of ours, in that we share common owners with Bernie’s I and Bernie’s I may provide products or services to BARNIE’S COFFEE & TEA COMPANY franchisees. Bernie’s I began as a sole proprietorship, on October 13, 1980, operating a retail store for the sale of coffee and teas and related products, including pastries, under the mark BARNIE’S COFFEE & TEA COMPANY. Bernie’s I began offering franchises under the mark BARNIE’S COFFEE & TEA COMPANY in September 1981. Bernie’s I was the franchisor of the BARNIE’S COFFEE & TEA COMPANY franchise system until January 1, 2007.

Another affiliate of ours, Bernie’s II, Inc., (“Bernie’s II”) is a Florida corporation, incorporated on July 24, 2006, with a principal business address of 2126 W. Landstreet Road, Suite 300, Orlando, Florida 32809. Since January 1, 2007, Bernie’s II has been engaged in the business of, among other things, supplying BARNIE’S COFFEE & TEA COMPANY branded coffee, tea, flavored syrups, and various other items bearing the Marks (“Bernie’s Products”) to company-owned and franchised Stores. Bernie’s II also makes certain Bernie’s Products available to the public through mail order and e-commerce. Bernie’s II also sells and licenses others the right to sell certain Bernie’s Products to non-retailers, such as offices and restaurants, and sells certain Bernie’s Products to other retailers, such as grocery stores. These activities may compete with you. Bernie’s II has never offered franchises of any kind. We are a wholly-owned subsidiary of Bernie’s II.

We acquired certain rights to use the Marks and certain rights to franchise the Bernie’s Coffee & Tea Company concept pursuant to a Trademark License Agreement between us and Bernie’s II, dated January 1, 2007. Bernie’s II acquired the same rights from Bernie’s I pursuant to a Trademark Assignment Agreement dated January 1, 2007.

As of December 31, 2006, Bernie’s II also owned and operated 7 BARNIE’S COFFEE & TEA COMPANY Stores through a wholly-owned entity, Bernie’s Cafe, LLC (“Bernie’s Cafe”), which is a Florida limited liability company, organized on July 27, 2006, with a

principal business address of 2126 W. Landstreet Road, Suite 300, Orlando, Florida 32809. In this Offering Circular, these Stores are referred to as “company-owned” Stores.

The Franchises Offered.

Store: BARNIE’S COFFEE & TEA COMPANY Stores offer for sale gourmet coffees, teas, pastries and related products and accessories to the general public. Some Stores also offer a small selection of wine and beer and provide other services such as wireless internet and drive-through. Stores are located in enclosed shopping malls and, for the most part, consist of a relatively small square footage when compared to the other retail stores in the shopping mall; however, a growing number of Stores are located in strip centers and free-standing buildings.

Store franchisees will compete with national, regional and local retail chains and individual businesses (including other franchise systems) that offer gourmet coffee, tea and other similar products and services. In addition, we and our affiliates may operate company-owned Stores and sell coffees, teas and other products through mail order, wholesale, the internet, and through other channels of distribution, such as grocery stores and other retailers. These activities may compete with your Store and could materially affect your sales. You may also compete with other Store franchises near your Store location. Store sales at locations inside of malls are substantially seasonal, with a significant portion of sales occurring during the Christmas season. The market for retail coffee and tea stores is highly competitive and well-developed. In addition, global coffee prices fluctuate and could affect your sales and the economics of your business. We are aware of no regulations specific to the operation of a retail gourmet coffee store, although you will be required to comply with all local, state and federal health and sanitation laws in the operation of your Store. If you offer wine and beer, you will also be required to obtain a beer and wine license and comply with local ordinances and state laws governing the sale of alcohol. There may be other laws applicable to your business and we urge you to conduct your own investigation of these laws.

Area Development: Under our Area Development Program, we grant you the right to open and operate Stores in a specific geographic area, which you and we agree upon prior to signing the Area Development Agreement (your “Area”). You and we will also agree upon a development schedule that will state the minimum number of Stores that you will be required to develop within your Area and the dates by which leases for those Stores must be executed and the Stores opened. Your right to develop Stores is exclusive in your Area during the term of the Area Development Agreement, provided that you meet all of the terms and conditions of the Area Development Agreement, including adherence to your development schedule. After we have approved each Store site, you and we will execute a Franchise Agreement for each Store, which will govern the development and operation of that Store.

Regional Directorship: Under our Regional Director Program, we grant you the right in a specific geographic area (your “Regional Director Territory”) to (i) recruit prospective franchisees for us (“Sales Services”); (ii) help us identify and secure sites for Stores and provide site development support (“Site Services”); and (iii) provide additional operational, training and field support to franchisees, both before and after they open their Store, (“Support Services”). In exchange for these Regional Director services, we will pay you several different fees, provided certain conditions are met regarding the sale of the franchises and provided that

you meet your obligations. These fees include percentages of Initial Franchise Fees, Royalty Fees, transfer fees, renewal fees and other fees that franchisees pay in connection with the purchase or operation of a franchise in your Regional Director Territory.

As a condition of the Regional Director franchise, you must satisfy certain cumulative minimum development obligations, or “development quotas,” during the term of the agreement, which we identify in Exhibit A to the Regional Director Agreement. There are two separate development quotas: (1) franchise sales for which we credit you with a Sale Services Commission and (2) Stores open and operating in compliance with the Franchise Agreement. We determine these quotas by mutual agreement with you before you sign the Regional Director Agreement.

While we rely on you to present us with those applicants whom you pre-qualify using our criteria, we make the final decision on whether we will sell a franchise to the candidates you present. If we approve the candidate, we and the candidate will sign a Franchise Agreement, and you are not a party to that contract. However, as our agent, you will provide a variety of Site Services and Support Services to the franchisees in your Regional Director Territory.

For Regional Directors, both the Federal Trade Commission and many states regulate the sale of franchises and the relationship between franchisors and franchisees. You agree to comply with these regulations when you act as our agent in offering franchises in your Regional Director Territory and in providing support services. You also agree to comply with all local, state and federal laws of a more general nature that affect the Regional Director business, including employment, workers’ compensation, corporate, tax, licensing and similar laws and regulations.

A number of franchise disclosure laws regard you to be our franchise broker in the Regional Director Territory to which you are assigned. Therefore, in accordance with applicable franchise disclosure laws, we will, at our expense, add appropriate disclosures about you in Items 2 and 3 of our Offering Circular, register you as our franchise broker if the laws in your Regional Director Territory require registration, and furnish you with our current Offering Circular and all amendments for you to use in soliciting prospective franchisees in your Regional Director Territory. You are responsible for notifying us immediately of any material changes in the information that you give to us for purposes of our complying with franchise disclosure laws.

If your activities as our Regional Director require you separately to register in your Regional Director Territory as a subfranchisor, you must prepare the necessary documents and file the application at your expense. We will cooperate in providing you with information relating to us, to the extent it is needed for your registration.

ITEM 2
BUSINESS EXPERIENCE

Neil Leach
Chairman of the
Board and Chief
Executive Officer

Mr. Leach has been our Chairman of the Board and Chief Executive Officer since our inception in July 2006. Mr. Leach has also served as the Chairman of the Board and Treasurer of our predecessor and affiliate, Bernie's I, since October of 2001. Prior to that, Mr. Leach served as a Member of the Executive Committee of Sola International, Inc., an ophthalmologic lens manufacturer based in San Diego, California, with which he was involved from August 1999 to June, 2004. Mr. Leach was a principal of Multifocal RX Laboratories, Inc., a manufacturer of ophthalmologic lenses in Miami and Atlanta from 1960 until the business was sold in February 2000.

Robert Kalafut
Director and
Executive Vice-
President

Mr. Kalafut has been our Director and Vice-President since our inception in July 2006. Mr. Kalafut has also served as the Director and Vice-President of Bernie's I, since October of 2001. From March 1998 to March 2002, Mr. Kalafut served as the Director of Corporate and Local Store Marketing and Special Projects Business Development for Bernie's I and was previously a Regional Director of Operations for Advance America, a national payday advance chain located in Ft. Lauderdale, Florida.

Glorian Leach
Director and
Executive Vice
President /
Treasurer

Ms. Leach has been our Director and Executive Vice President since our inception in July 2006. Ms. Leach has also served as the Director and Executive Vice President of Bernie's I since February 2004. Ms. Leach became an employee of Bernie's I in October 2001 and became its Treasurer in January 2003 and a Vice President in August 2003. From November 1990 to June 2000, Ms. Leach served as a Vice President of Multifocal RX Laboratories, Inc., a manufacturer of ophthalmologic lenses located in Miami and Atlanta. From July 2000 to October 2001, Ms. Leach was retired and involved in various projects.

Sonya Hardy
Vice President /
Merchandising

Ms. Hardy has been our Vice President / Merchandising since our inception in July 2006. Ms. Hardy has also served as the Vice President / Merchandising of Bernie's I since March 2004. Ms. Hardy has been employed by Bernie's I in various marketing, merchandising and purchasing capacities since October 1994. In June 1998, Ms. Hardy became a Food and Merchandise Buyer for Bernie's I and she was promoted to General Merchandise Manager in 2003.

Jason McCord
Franchise
Development
Coordinator

Mr. McCord has been our Franchise Development Coordinator since our inception in July 2006. Mr. McCord has also served as the Franchise Development Coordinator of Bernie's I since September 2004. From January 2004 until May 2004, Mr. McCord was employed as Assistant Hotel Manager and Cruise Director by American Cruise Lines located in Guilford, Connecticut. From July 2002 to January 2004, he worked in property management for Rumpf Rental Properties located in Maitland, Florida. From September 1999 until April 2002, he was a Promotions Coordinator and Client Services Administrator with Cox Radio – Orlando.

Authorized Brokers

See Exhibit J

ITEM 3

LITIGATION

Except as disclosed in Exhibit J, with respect to certain of our authorized brokers, there is no current litigation which is required to be disclosed in this offering circular. Neither we, any affiliate or predecessor, nor any person identified in Item 2 of this offering circular has, during the 10-year period prior to the date of this offering circular, been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable in a civil action by final judgment or been the subject of a material action involving violation of a franchise, antitrust or securities law, fraud, unfair or deceptive practices or comparable allegations.

ITEM 4

BANKRUPTCY

Neither we, any affiliate or predecessor nor any officer identified in Item 2 of this Offering Circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

ITEM 5

INITIAL FRANCHISE FEE

Store: You must pay an initial franchise fee of \$25,000 for each Store (the "Initial Franchise Fee"). The Initial Franchise Fee is payable in installments: the first installment of \$12,500 is due and payable immediately upon execution of the Franchise Agreement (which may be before a site has been identified or, at your option, as late as immediately following approval of a Store site); the second installment of \$12,500 is due and payable 90 days after execution of the Franchise Agreement. To reward speedier development if you sign an Area Development Agreement, we reduce the amount of the Initial Franchise Fee by \$2,000 for each Store for which a lease is signed (or real estate is purchased) earlier than required under the development schedule (see section B below). In that case, each \$12,500 installment will be reduced to \$11,500.

These arrangements may vary between Franchise Agreements depending upon the particular circumstances of the transaction and we reserve the right to reduce the Initial Franchise Fee on a case by case basis. The Initial Franchise Fee is nonrefundable and each installment is fully earned at the time it is due. Regional Directors that open Stores within their Territory may be entitled to a discounted Initial Franchise Fee under their respective Regional Director Agreements. During 2006, actual Initial Franchise Fees paid by franchisees did not deviate in any instance from our then-standard Initial Franchise Fee.

Additionally, as described in Items 7 and 8, before opening a Store, you will be required to purchase much of your opening inventory and other items of equipment and inventory from us or our affiliates. The cost of these purchases will range from \$18,000 to \$27,000. We or our affiliates may require advanced deposits for some or all of these purchases. These amounts are generally nonrefundable except in the case of defects in the items sold.

Area Development: Prior to execution of the Area Development Agreement, you and we will agree on the number of Stores that you will be required to develop, the Area in which the Stores are to be developed, and a schedule by which leases must be signed (or real estate purchased) and Stores opened (usually specified in quarterly intervals). Upon execution of the Area Development Agreement, you will be required to pay an initial development fee (the "Development Fee") in the amount of \$5,000 for each Store which you and we agree that you will be responsible for developing during the term of the Area Development Agreement. The Development Fee is used to defray administrative costs and expenses of your screening or training, general and administrative expenses, and to compensate us for the exclusivity we grant with respect to the Area. To reward development over and above the required number of Stores, the Development Fee is waived for each additional Store above the minimum that you develop during the term of the Area Development Agreement. The actual amount of the Development Fee will be inserted in the Area Development Agreement prior to execution and will be payable in a lump sum upon execution of the Area Development Agreement. The Development Fee is earned when due and is non-refundable.

As each Store is developed, you and we sign an individual Franchise Agreement. While the form of that Franchise Agreement will be the then-current form, the Initial Franchise Fee, Royalty Fee and other fees will be as set forth in the Franchise Agreement which is being utilized at the time you and we execute the Area Development Agreement. Upon signing the Area Development Agreement, you will be required to sign at least one Franchise Agreement and pay the required first installment of the Initial Franchise Fee. The Development Fee is not applied to the Initial Franchise Fee due under individual Franchise Agreements.

Regional Directorship: You pay an initial fee when you purchase the Regional Director franchise (the "Regional Director Fee"). The Regional Director Fee is fully earned upon receipt and is not refundable. You and we negotiate the Regional Director Fee based on a variety of factors, including the population of your Regional Director Territory. The Regional Director Fee will most likely range from \$50,000 to \$500,000. We will not refund any portion of the Regional Director Fee if the population in your Regional Director Territory declines.

ITEM 6
OTHER FEES
Store

Name of Fee ⁽¹⁾	Amount	Due Date	Remarks
Royalty Fee	7% of weekly Net Sales; Area Developers may receive a Royalty Fee credit for speedy development ⁽²⁾	Thursday following week ending the preceding Saturday	Completed accounting forms are due with Royalty Fee payment; we will debit your bank account for amounts due ⁽³⁾
National and Regional Advertising Fee	Up to 2% of Net Sales	Payable weekly along with payment of the Royalty Fees	This fee is due only upon creation of national and/or regional advertising funds. For national and regional advertising ⁽⁴⁾
Transfer Fee	50% of then current Initial Franchise Fee	Before issuance of written approval	Assessed if you transfer your Franchise Agreement to an approved third party
Interest on Past Due Amounts	Maximum interest rate allowed by applicable law	Immediately	Computed from date due until paid; The maximum rate under Florida law is 18% per annum
Assessment for Understatement of Revenues	Amount of underpayment, plus interest; plus cost of audit if understatement is more than 2% of Net Sales	Upon receipt of invoice	
Cost of Enforcement	Reasonable attorneys' fees, plus costs	Upon receipt of invoice	

Name of Fee ⁽¹⁾	Amount	Due Date	Remarks
Expenses Related to Supplemental Training	Room, board and travel	As per terms required by us or vendor at the time	Supplemental training is in Orlando, Florida
Renewal Fees	50% of then current applicable Initial Franchise Fee	Concurrent with execution of renewal Agreement	Applies to Franchise Agreement
Insurance Premiums	Will vary under circumstances	As incurred	If you do not pay your insurance premiums, we have the option to pay them for you and you must reimburse us
Product and Service Purchases	See Item 8	See Item 8	See Note (5)

- (1) Unless otherwise noted, all fees are payable to us and are not refundable. Fees are applicable to each Store.
- (2) Net Sales includes all sales and all business transacted in, or through and from your Store, less approved returned merchandise and sales taxes. Area Developers may be eligible for a Royalty Fee credit, as follows. For each Store that opens at least one month earlier than required under an Area Development Agreement, you will be charged a reduced Royalty Fee of 5% of Net Sales. This Royalty Fee percentage will apply until such time as the difference between the amount that would have been paid under the normal 7% rate and the amount paid under the 5% rate reaches \$2,000 in the aggregate. After the \$2,000 maximum is reached, you will pay the normal 7% rate. If the Store opens two or more months earlier than required under the Area Development Agreement, the maximum Royalty Fee credit will be increased to \$3,000, instead of \$2,000.
- (3) Before opening your Store, you must sign and deliver to us and your bank all documents needed to permit us to debit your bank account for each week's Royalty Fees, contributions to national and regional advertising funds (if and when formed), and other payments due under the Franchise Agreement. However, we may require you to pay all amounts due by means other than automatic debit whenever we deem appropriate.
- (4) We have the right to create national and regional advertising funds and to require you to contribute to these funds up to 2% of your Net Sales in the aggregate. The national and regional advertising fees, when assessed, will be imposed by us uniformly on all Stores (whether owned by us or by other franchisees); provided, however, that we may not be able to impose this requirement on certain franchisees already in existence as of the date of this Offering Circular, due to the terms of their Franchise Agreements, although we will encourage them to contribute.
- (5) You must buy products and services that meet our standards and specifications and, in some cases, from suppliers we designate. We or our affiliates may also assess a handling

charge of 12.5% or more on Barbie's Products and other products and supplies that you purchase from us or our affiliates.

Area Development

Name of Fee ⁽¹⁾	Amount	Due Date	Remarks
Transfer Fee	\$5,000	Before issuance of written approval	Assessed if you transfer your development rights to an third party, subject to our approval
Cost of Enforcement	Reasonable attorneys' fees, plus costs	As incurred	Assessed if we are the prevailing party in a lawsuit between you and us arising out of the Area Development Agreement

- (1) Unless otherwise noted, all fees are payable to us and are not refundable. Area Developers will also be subject to the fees listed under the Store fee chart, above, with respect to each Store opened under their Area Development Agreement.

Regional Directorship

Name of Fee ⁽¹⁾	Amount	Due Date	Remarks
Transfer Fee	An amount to cover our administrative costs (not to exceed \$2,500) plus a \$5,000 training fee paid by transferee	Before issuance of written approval	Assessed if you transfer your franchise rights to an approved third party.
Renewal Fees	50% of Regional Director Fee	Concurrent with execution of new RD Agreement	Other conditions to renewal apply.
Interest on Past Due Amounts	The lesser of 2% per month or the maximum interest rate allowed by applicable law	Immediately	Computed from date due until paid; The maximum rate under Florida law is 18% per annum.
Cost of Enforcement	Reasonable attorneys' fees, plus costs	Upon receipt of invoice	Assessed if we are the prevailing party in a lawsuit between you and us arising out of the Area Development Agreement

Name of Fee⁽¹⁾	Amount	Due Date	Remarks
Missed Training Fee	\$1,500	Upon receipt of invoice	You may be required to pay us a fee of \$1,500 if you fail to attend a required training program
Expenses Related to Supplemental Training	Room, board and travel	As per terms required by us or vendor at the time	Supplemental training is in Orlando, Florida
Insurance Premiums	Will vary under circumstances	As incurred	If you do not pay your rent or insurance premiums, we can pay them for you and you must reimburse us.
Marketing Expenditures	Currently \$5,000 per quarter	See Item 11	See Note (2)

- (1) Unless otherwise noted, all fees are payable to us are not refundable.
- (2) You must spend a minimum of \$5,000 per quarter on marketing in your Territory, although we reserve the right to increase this amount up to a maximum of \$7,500 per quarter. This amount is payable to third party suppliers of marketing and advertising goods and services, which may include us.

ITEM 7 INITIAL INVESTMENT

Store

The following table estimates the total initial investment required to open a typical Store. Your actual investment and expenditures may vary considerably from the figures in the table set forth below depending on many factors, including, without limitation, geographical area, the shopping center, if any, in which your Store is to be located, the size of your Store, quantity of merchandise for sale, the extent of leasehold improvements needed and the capabilities of any particular management and service team. Payments made to us are not refundable; payments made to third parties may or may not be refundable, depending on arrangements you make with those third parties. The expenses listed will apply also to Area Developers, with respect to each Store opened under their Area Development Agreement.

Category	Actual or Estimated Amount	Method of Payment	When Due	To Whom Payment is to be Paid
Initial Franchise Fee	\$23,000 to \$25,000 ⁽¹⁾	Two installments	\$12,500 upon execution of Franchise Agreement; remaining \$12,500 due 90 days following execution of Franchise Agreement	Us
Leasehold Improvements	\$110,000 - \$160,000	Lump Sum	As incurred before opening	General or Sub-Contractor or other Vendors
Utility Deposits	\$0 –\$1,000	Lump Sum	As incurred before opening	Utilities
Fixtures and Equipment	\$75,000-\$90,000	Lump Sum	As incurred before opening	Contractors, Vendors, Us
POS System, including license fee	\$13,000 - \$17,000 ⁽²⁾	Lump Sum	Upon purchase of POS system before opening	Vendors
Organizational Costs	\$500 - \$2,000	As Incurred	As incurred before opening	Lawyers, Accountants, State Agencies
Opening Inventory, Barnie's Products, Supplies and Store Set-Up Expenses ⁽³⁾	\$18,000-\$28,000	Lump Sum	As incurred before opening	Us, Vendors
Insurance – Liability and Workman's Comp	\$3,000-\$6,000	Installment	Semi-Annual	Insurance Company
Real Estate Costs ⁽⁴⁾	\$4,000 - \$6,000	Lump Sum	Upon signing lease or sublease	Landlord or us (if sublease)
Grand Opening Advertising	\$5,000 - \$7,500 ⁽⁵⁾	As Incurred	As incurred before opening	Vendors
Additional Funds ⁽⁶⁾	\$10,000-\$25,000	As Incurred	As incurred before and after opening	Employees, Vendors & Others
Travel Expenses	\$2,000-\$4,500	As Incurred	Before opening	Transportation Lines, Hotels, Meals, etc.
TOTAL	\$263,500 - \$372,000			

- (1) The Initial Franchise Fee may be reduced if the Store is opened pursuant to an Area Development Agreement and the Area Developer satisfies the requirements for the reduced-fee incentives for meeting its development schedule more quickly than required (see footnote 2 to fee chart for Stores in Item 6 above for a more detailed description of that incentive program).
- (2) The required POS System does not include a back-office component. The range shown reflects increases from the basic required configuration for the optional back-office pc-based component (see Item 11 below).
- (3) Payment for opening inventory is not subject to a discount for early payment.
- (4) Real estate costs depend on a variety of factors such as, for example, the size and location of the Store, the size of the Store premises, whether the landlord requires a security deposit, whether the landlord grants any tenant improvement allowances and whether there is a percentage rent factor. Stores are located inside shopping malls, inside shopping centers or strip-centers, or are free-standing units. Mall Stores are typically 1,000-1,200 sq. ft., and non-mall Stores are typically 1,500-2,000 sq. ft. and may contain a drive-through component. Base rent for both types (mall Stores are smaller but have higher rent-per-square-foot than non-mall Stores) is estimated to be between \$4,000 and \$6,000 per month. Actual base rent, however, will be a function of the specific location, the location of the space within the center or mall, and the size of the space.
- (5) We require Store franchisees to make a minimum expenditure of \$5,000 on a grand opening marketing program for each Store. This amount must be spent during a period of time commencing at least one (1) week prior to the opening of the Store and lasting no longer than 90 days. You may choose to spend additional amounts on grand opening marketing for your Store.
- (6) This is an estimate of the funds needed to cover initial operating expenses during the first 3 months of operation of your Store, including initial employee wages (but not including any owner's draw or salary). These figures do not include rent, Royalty Fees or advertising payments or any debt service obligations you may have. These figures are estimates based upon (and consistent with) our experience over the past 26 years of developing and operating Bernie's Coffee & Tea Company stores. We cannot guarantee that you will not have additional expenses starting your business. Your costs will depend on factors such as the degree to which you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for Bernie's Products; the prevailing wage rate; competition in your area; and the sales level reached during the first 3 months of operation. Historically, a mall Store experiences approximately one-third of its annual total net sales during the months of November and December and less than one-third of its annual total net sales during the months of June, July, August and September. The additional funds requirement for a mall Store, therefore, may vary due to the time period in which it initially opens.

Area Development

The following table estimates the total investment required to commence operations as an Area Developer. Your actual investment and expenditures may vary considerably from the figures in the table set forth below depending on many factors, including, without limitation, your existing infrastructure (and efficiencies you achieve through that infrastructure), the number of Stores you commit to developing, the length of the development schedule, the number of employees required to satisfy your obligations, and whether you will require separate office facilities. Payments made to us are not refundable. **As an Area Developer, you will be required to open one or more Stores. The investment described below pertains only to those amounts needed to establish yourself as an Area Developer. Consult the Store investment chart above for additional amounts that you will need to invest pursuant to Franchise Agreements for Stores.**

Category	Actual or Estimated Amount	Method of Payment	When Due	To Whom Payment is Made
Development Fee	\$10,000 (\$5,000 for each Store to be developed) ⁽¹⁾	Lump sum	On execution of Area Development Agreement	Us
Insurance	\$1,000	Lump sum	Before starting business	Insurance Company
Office improvements and equipment ⁽²⁾	\$1,000 -\$5,000	As incurred	As incurred before starting business	Landlord/Suppliers
Professional Fees	\$500-\$1,000	As incurred	As incurred before starting business	Suppliers
Additional Funds - 3 months ⁽³⁾	\$1,000-\$3,000	As incurred	As incurred before and after starting business	Suppliers and Employees
TOTAL	\$15,500-\$26,500			

(1) Assumes a 2-store development requirement. The actual number of Stores to be developed will be agreed upon prior to signing the Area Development Agreement.

(2) You must maintain an office serviced by at least one dedicated telephone line with voice mail. This office may be in your home or at a separate location. We estimate that the cost of a telephone service will be approximately \$20 per month for voice mail. Your office also must have a facsimile machine with its own dedicated telephone line. The cost to purchase a facsimile machine is approximately \$500. However, you may lease a facsimile machine or subscribe for fax service via your computer. You must also purchase or otherwise obtain computer equipment that will operate software programs we require, the cost of which varies but will typically not exceed \$1,500. The amount of

these expenses varies with the geographic, demographic, and physical location of your office and the sophistication of the equipment you select.

- (3) This estimates the funds needed to cover your initial expenses for the first 3 months of operation and includes payroll costs, miscellaneous supplies, and start-up marketing and advertising costs but not any draw or salary for you. This amount is an estimate, and we cannot guarantee that you will not have additional expenses in operating your business.

Regional Directorship

The following table estimates the total investment required to commence operations as a Regional Director. Your actual investment and expenditures may vary considerably from the figures in the table set forth below depending on many factors, including, without limitation, your existing infrastructure (and efficiencies you achieve through that infrastructure), the size of your Regional Director Territory, your development quota, the number of employees required to satisfy your obligations, and whether you will require separate office facilities. Payments made to us are not refundable.

Category	Actual or Estimated Amount	Method of Payment	When Due	To Whom Payment is to be Made
Regional Director Fee ⁽¹⁾	\$50,000 to \$500,000	Lump Sum	Upon Signing	Us
Vehicle Lease/Purchase ⁽²⁾	\$0 to \$3,000	As Arranged	As Arranged	Suppliers
Computer Hardware ⁽³⁾	\$0 to \$2,000	As Arranged	As Arranged	Suppliers
Computer Software ⁽⁴⁾	\$0 to \$1,000	As Arranged	As Arranged	Suppliers
Subfranchisor Registration Costs ⁽⁵⁾	\$0 to \$30,000	As Arranged	As Arranged	Your Attorneys, Accountants and Franchise Registration States
Miscellaneous and Additional Funds (covers first 3 months) ⁽⁶⁾	\$5,000 to \$25,000	As Arranged	As Arranged	Miscellaneous Third Parties. See Note 6.
TOTAL	\$55,000 to \$561,000			

- (1) Regional Director Fee. The Regional Director Fee varies between Regional Directors and is based primarily on the population in your Regional Director Territory. See Items 5 and 10 for more information on the Regional Director Fee.
- (2) Vehicle Lease/Purchase. You will need the use of a vehicle in the operation of your Regional Director business, which you may own or lease. At this time, we do not require that the vehicle you use meet any specific criteria, except that it must run reliably enough to enable you to perform your obligations under the Regional Director Agreement, such as

visiting Store franchises and performing Site Services. We have the right, however, to establish in the future specific criteria for the vehicle you use in the operation of your Regional Director business. You may use a vehicle that you already own provided it meets our then-current criteria. The cost of your investment in a vehicle will vary depending on your current assets, the cost of leasing and purchasing vehicles in your area, and the vehicle you choose.

- (3) Hardware Costs. You will need a laptop computer for the operation of your Regional Director business, as further described in Item 11. If you already own a laptop computer, you may use it in the operation of your Regional Director business. The cost of your investment in computer hardware will vary depending on your current assets, the cost of computer hardware in your area, and the specific equipment you choose.
- (4) Software Costs. You will need to purchase computer software for your Regional Director business as further described in Item 11. The cost of your investment in computer software will vary depending on your current assets, the cost of software in your area, and the specific software you choose.
- (5) Subfranchisor Registration Costs. In most states, Regional Director franchisees will be considered franchise brokers, rather than subfranchisors. In those states, you will not incur costs associated with registering as a subfranchisor. If, however, the state in which your Regional Director Territory is located considers you to be a subfranchisor, you will incur costs associated with registration—up to \$30,000 or more. These costs will include the preparation of a Uniform Franchise Offering Circular, which may require you to prepare audited financial statements for your business.
- (6) Miscellaneous and Additional Funds. We do not require that you rent commercial office space, nor do we impose specifications for office decoration, fixtures, business equipment, insurance, minimum number of employees or otherwise. You may, if you choose, locate your administrative office for the Regional Director business in your home. However, we expect you will incur miscellaneous expenses to establish your Regional Director business. This chart reflects our estimate of your miscellaneous expenses for the first 3 months after you sign the Regional Director Agreement. The chart assumes you do not incur any real estate leasing costs, but allows for the lease or purchase of home office furniture (we do not impose any specifications and leave this to your judgment); required expenditures such as a facsimile machine, telephone line, business cards and stationery; insurance; travel costs for initial training and site development work in your Regional Director Territory; legal and professional expenses to acquire the franchise and form a business entity to own the Regional Director franchise; and advertising expenditures during your first 3 months of operation, which we estimate may total between \$600 and \$4,500.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Equipment and Fixtures. You are obligated to purchase or lease, in accordance with specifications for your Store, equipment and fixtures meeting our specifications for quality and

design. Such specifications are included in the Operations Manual and other directives issued to the franchisee upon signing of the Franchise Agreement and payment of the Initial Franchise Fee. You may purchase or lease original and replacement equipment, fixtures and supplies meeting such specifications only from approved vendors, which may include us. Because we maintain a warehouse, you may make arrangements to purchase up to 100% of equipment and fixtures from us, but our recommendation is to purchase equipment and fixtures through approved third-party vendors.

Products and Supplies.

Barnie's Products. We, our affiliates, or our approved vendors will be your principal or sole source for our branded products ("Barnie's Products"), including, without limitation, coffees, teas, flavored syrups, paper goods, certain food items and "hardlines" (such as mugs, grinders, tumblers and other merchandise bearing the Marks) to be sold at your Store. Certain branded items may be available on a direct bill, direct ship relationship through certain authorized coffee roasters and other approved vendors. If so, we must first authorize in writing the direct bill, direct ship relationship between you and the authorized vendor.

Non-branded products and supplies. You will be required to offer for sale at your Store certain non-branded products, which may vary from time to time. All non-branded products offered for sale at the Store, as well as the supplies used at the Store, must be approved in advance by us and obtained only from approved vendors. The approved products and supplies appear in our Product Order Book which may be amended and updated from time to time. We are a supplier of many of the products and supplies included in our Product Order Book, and we may be the sole supplier of some or all of such items. You are not permitted to offer for sale from the Store any product or supply item which is not included in our current Product Order Book or which has not been approved in writing by us in advance of any sale or use by you. In determining whether to approve a product or supply item, we take into account the concept, image and decor of the Store. We have the sole discretion as to whether to grant such approval. There is no time limitation imposed upon us within which approval must be granted, but we expect that a decision would be rendered within 7 days of submittal.

Approval process for products. Except as discussed in the preceding paragraph, products and other items offered for sale at the Store must be approved in writing in advance by us by the listing of such products and items in either our Product Order Book, or in another approved product listing issued from time to time by us. With respect to unwrapped products, or products otherwise not in a self-contained identified package, in addition to our prior written approval for sale of the products at the Store, you must obtain our prior written approval of the signage that you propose to use in connection with the sale or use of the products. Any signage must clearly set forth the name of the producer of the products. All requests for approval must include fresh samples, a copy of applicable vendor licenses, appropriate health certificates and proof of liability insurance by the vendor. There is no time limitation imposed upon us within which approval must be granted, but a decision can usually be made within 7 days of our receipt of all information and samples.

Product purchase volume from us and approved roasters versus total product purchases; Our revenues. You should expect that 100% of coffee and tea products and between approximately 65% and 80% of all other items sold through your Store will be purchased from us or our approved roasters or single-source vendors. We may derive revenue from your purchase of products from us, by charging you more than our purchase price. Currently, we sell products and other items, including Bernie's Products, to franchisees at our actual cost plus a handling fee of 12.5%. In some cases, we may receive a license fee from approved roasters and other approved vendors, which is calculated based on the sale price of Bernie's branded products that are drop-shipped and direct-billed from the roaster or vendor to you. For the 12 months ended September 30, 2006, the gross revenues of our predecessor and affiliate Bernie's I from sales made to franchisees from the Bernie's corporate warehouse was approximately \$1,145,937, representing approximately 10% of Bernie's I's total gross revenues of \$11,591,442. Of this amount, \$1,045,239.52 (about 9% total gross revenues) consisted of the actual cost to Bernie's I of these products and the remaining \$100,697.69 (less than 1% total gross revenues) consisted of handling fees charged by Bernie's I. In that same period, Bernie's I's revenues from payments made by approved roasters and other approved vendors based on sales to franchisees was approximately \$92,400, representing 0.8% of Bernie's I's total gross revenues of \$11,591,442.

Other matters. There are no purchasing or distribution cooperatives. We reserve the right to receive license fees, rebates and similar payments from suppliers. We may negotiate purchase agreements with respect to branded or proprietary items which must be purchased directly from us or an approved supplier as described above, and we may, from time to time, negotiate similar agreements with other approved vendors. We will try to receive volume discounts for the system as a whole, but we do not provide material benefits to you because of your use of approved suppliers. We do not negotiate prices not on behalf of individual franchisees.

ITEM 9

FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS IN THIS OFFERING CIRCULAR.

PRINCIPAL OBLIGATIONS UNDER VARIOUS AGREEMENTS

Franchise Agreement = FA (Exh. B)
Area Development Agreement = ADA (Exh. C)
Regional Director Agreement = RDA (Exh. D)

OBLIGATION	ARTICLE OR SECTION IN AGREEMENT	ITEM IN OFFERING CIRCULAR
Site selection and acquisition/lease	FA Art. 2; ADA Art. 4; RDA n/a	Item 11

OBLIGATION	ARTICLE OR SECTION IN AGREEMENT	ITEM IN OFFERING CIRCULAR
Pre-Opening purchases/ Leases	FA Arts. 2, 4, 5, 6, 8 and 9; ADA Art. 4; RDA Sect. 9.2	Items 5, 6, 7 and 8
Site development and other pre-opening requirements	FA §§ 2.1, Arts. 3, 4, 5, 8 and 9 ADA Art. 4; RDA Sect. 9.2	Items 5, 6, 7, 8 and 11
Initial and ongoing training	FA Art. 9; ADA Art. 4; RDA Sects. 7.1-7.4	Item 11
Opening	FA Art. 3; RDA Sect. 9.2	Items 7, 11
Fees	FA Arts. and §§1.4(d), 7.2, 12.4; ADA Art. 5; RDA Sects. 5.1, 6.1-6.5	Items 5, 6, 7 and 11
Compliance with standards and policies/operating manual	FA Arts. 4 and 5, generally; see § 2.2, specifically; RDA Sects. 11-13.	Items 8, 11 and 17
Trademarks and proprietary information	FA §10.3 and Art. 11; ADA Art. 7; RDA Sects. 10.1- 10.4, 11.1, 11.2	Items 13 and 14
Restrictions on products/services offered	FA §§ 5.3, 5.6, 5.11 and Art. 4; RDA n/a	Items 8 and 16
Territorial development and sales quota	ADA §4.2; RDA Exh. A	Item 12
Ongoing product/service purchases	FA Art. 4; RDA n/a	Item 8
Maintenance, appearance and remodeling requirements	FA §§ 1.4, 3.1, 5.2, 5.8, 5.15, 5.17 and 12.3; RDA n/a	Items 8, 11 and 17
Insurance	FA Art. 16; RDA Sect. 13.7	Item 7
Advertising	FA Art. 8; RDA Sects. 13.9, 13.10	Items 6 and 11
Indemnification	FA §§ 13.3 and 13.4; ADA §§9.3 and 9.4; RDA Sect. 18.4	Item 6
Owner's participation/ management staffing	FA §5.2; RDA Sects. 9.1, 13.5	Items 11 and 15
Records/reports	FA §5.5; RDA Sects. 13.11, 13.12	Item 6
Inspections/audits	FA §§ 5.5 and 5.14; RDA Sect. 14	Items 6 and 11
Transfer	FA Art. 12; ADA Art. 8; RDA Sect. 15	Item 17
Renewal	FA Art. 1; ADA §3.3; RDA	Item 17

OBLIGATION	ARTICLE OR SECTION IN AGREEMENT	ITEM IN OFFERING CIRCULAR
	Sects. 16.2-16.5	
Post-termination obligations	FA §§14.3 and 15.4; ADA Art. 11, §13.4; RDA Sects. 17.3-17.8	Item 17
Non-competition covenants	FA Art. 15; ADA Art. 13; RDA Sect. 17.5	Item 17
Dispute resolution	FA Art. 18; ADA Art. 16; RDA Sects. 19, 20	Item 17

ITEM 10 **FINANCING**

Other than the two-installment payment schedule for the Initial Franchise Fee described in Item 5, we do not offer you direct or indirect financing. We do not guarantee any note, lease or other obligation to which you may be a party.

ITEM 11 **FRANCHISOR'S OBLIGATIONS**

Except as listed below, we are not obligated to provide any assistance to you. If you purchase a Store franchise and locate your Store in a Regional Director Territory, or if we appoint a Regional Director for an area that encompasses your Store after you open, our Regional Director will discharge some or all of the obligations that we describe in this Item 11 for us. Therefore, the term “we” in this Item 11 (and elsewhere where this Offering Circular describes our obligations under the Franchise Agreement) refers interchangeably to us and to the Regional Director whom we may appoint either before or after your Store opens to service a geographic area that includes your Store. Unless specifically stated otherwise, information regarding Store franchises also applies to franchisees who sign Area Development Agreements.

1. Pre-Opening Obligations.

Store/Area Development: Prior to commencement of operations of the Store, we will satisfy the following obligations required by the referenced sections of the Franchise Agreement (“FA”) and Regional Director Agreement (“RDA”), respectively:

- A. Make available to you a management training program at our headquarters in Orlando, Florida. (FA section 9.1)
- B. Furnish guidance and assistance to you for approximately 3 days prior to opening and again for approximately 3 days after opening in establishing, and setting up, operations of your Store. This includes guidance and assistance with respect to interior improvements, interior display design,

Barnie's Drink Recipe training, salesmanship and operating techniques consistent with our requirements and specifications. (FA section 6.1)

- C. Loan to you one copy of the Confidential Operations Manual, including all modifications and supplements, which contains the policies, regulations, standards and procedures for the operation of your Store. (FA section 6.1; DA section 6.1)
- D. Make available advertising and promotional materials we develop. (FA section 8.4)
- E. Give you advice regarding our specifications for the Store design, equipment, supplies and materials used in, and the selection of suppliers and items offered for sale by your Store. (FA section 3.1)

Regional Directorship: Before you begin your Regional Director business, we will provide you with the following assistance:

- A. Provide an initial Regional Director training program to you or your Managing Owner and your Operations Manager, if any (RDA, Section 7.1).

2. Continuing Obligations.

Store/Area Development: During the operation of the Store, we will satisfy the following obligations required by the referenced sections of the Franchise Agreement:

- A. Make available at reasonable rates advertising and promotional materials as they are developed by us. (FA section 8.4)
- B. Advertise and promote the Barnie's concept and business generally if national and/or regional advertising funds are created. (FA section 8.2)
- C. Select roasters and vendors and select branded products to be manufactured or produced by such roasters or vendors. (FA Art. 4)
- D. Make available to you, subject always to availability, coffees, teas, beverages, food, and branded items and supplies, all of which are identified by the Barnie's brand. (FA section 4.1)

Although not bound to do so by the Franchise Agreement or any other agreement, we may also provide, from time to time, in our sole discretion, (i) periodic meetings of franchisees to discuss issues surrounding the operation of Barnie's Stores (FA section 9.3), (ii) supplemental or recertification management training programs (FA section 9.4), and (iii) certain non-Barnie's brand inventory items. (FA section 4.1)

No other assistance, supervision, or services are required to be provided by us or any affiliate for the operation of the Store.

Regional Directorship: During the operation of your business, we will provide you with the following assistance:

- A. Provide an initial Regional Director training program to replacement or additional Managing Owners, Operations Managers and other management personnel. We reserve the right to charge a tuition fee in advance of such training (RDA, Section 7.3).
- B. Furnish you with a current copy of our Offering Circular and all amendments for you to use in soliciting prospective franchisees in your Regional Director Territory (RDA, Section 4.2).
- C. Provide you with operating assistance via telephone consultation (RDA, Section 8.2).
- D. Provide you with access to franchise sales advertising and promotional materials that we develop (RDA, Section 8.2).
- E. Collect certain fees from Store franchisees in your Regional Director Territory, and remit commissions owed to you, as appropriate. Regional Director commissions are summarized in the table below:

Commission	Amount	When Paid	Section(s) of Regional Director Agreement
Sales Services Commissions	20% of Initial Franchisee Fees	Within 20 days after all conditions of payment have been met	6.1 & 6.2
Site Services Commissions	20% of Initial Franchisee Fees	Within 20 days after Franchisee's Store opens upon your completion of site services	6.3
Commissions on Royalty Fees	40% of Royalty Fees	Within twenty (20) days after the end of each four (4) or five (5) week period	6.4

Note: Conditions apply to payment of Regional Director commissions. Refer to the Regional Director Agreement, attached to this Offering Circular as Exhibit D for more information. No commissions are paid to Regional Director unless the underlying fees have been actually paid to us by Store franchisees.

3. Advertising Programs.

Store: We provide to you suggested advertising, at reasonable rates, for use in print and radio media. Each franchisee will determine coverage of the media, but typically it is local, and sometimes regional. The advertising is developed by our in-house advertising/graphics department and outside advertising agencies as we deem appropriate. These agencies are typically local or regional. You may use your own advertising material, but it must be approved in advance by us. Additionally, any advertising for retail stores drawing from a general market area must include the addresses of all BARNIE'S COFFEE & TEA COMPANY retail stores (both franchised and company-owned) in the area. There is no advertising council composed of franchisees that advises us on advertising policies. We reserve the right at any time to create regional and national advertising funds. When those funds are formed, you will be obligated to contribute not more than 2% of your Net Sales, in the aggregate. You must also spend for advertising on a calendar year basis, such amounts as you reasonably deem fit and appropriate, but in any event at least 1% of your total Net Sales of the Store. This amount must be spent for advertising media of general circulation or general scope. (FA Art. 8)

Regional Directorship: We require you to spend each calendar quarter at least \$5,000 to market and promote the sale of new Store franchises in your Regional Director Territory. We reserve the right to increase this amount up to a maximum of \$7,500 beginning after year 2 of the Regional Director Agreement. While we may provide you with promotional and recruiting materials to solicit prospects, you are responsible for arranging media placement and for all media expenses. All advertising that you conduct, even using the recruiting materials that we create, is subject to our prior approval. You may use materials that we approve only in the exact form that you submit them to us. (RDA, Section 13.9, 13.10)

4. Grand Opening. Store franchisees must conduct a grand opening advertising and promotional program, which we must approve, during a 90-day period surrounding the opening of your Store. The grand opening program must commence at least 1 week prior to opening of each Store, and you must spend at least \$5,000 on it. (FA section 8.3)

5. Information Systems.

Store Franchise: We require that you use a point-of-sale/electronic cash register system (a "POS" System") which, at a minimum, allows you to process all transactions required to be processed at the Store, allows us to poll activities at your Store, and allows us to access your Store's transaction and other data electronically at all times. We will provide (and update from time to time) the minimum requirements for the POS System in the Operations Manual.

Although we do not require you to use a specific model or brand of POS System for your Store, and simply require that your system meet our minimum requirements, we currently have pre-approved, and provide training for as part of the initial Store training program, the two POS Systems listed below. If you choose to purchase a POS System other than the two systems listed below, your system must meet our minimum requirements and you must be trained on the operation of your system at your own expense. Currently, the two pre-approved POS Systems are:

- NEC ResCounter 4000 or 5000 Stations, mag card readers, cash drawers and thermal printers. Currently, the approved vendor of this equipment is Advanced Business Products, Inc., 2539 Coolidge Avenue, Orlando, Florida 32804 (phone: 407-422-7437). This vendor assembles, configures for the unique Barnie's product database and operations, and ships the system directly to you (with installation instructions). It also provides help desk support services. You are required to maintain with the vendor an annual service agreement on the equipment, the cost of which is approximately \$1200 per year.

AND

- Maitre D System, mag card readers, cash drawers and thermal printers. Currently, the approved vendor of this equipment is RDS of Florida, 380 S. North Lake Blvd., Suite 1040, Altamonte Springs, FL 32701 (phone: 407-831-2011). It also provides help desk support services. You are required to maintain with the vendor an annual service agreement on the equipment, the cost of which is approximately \$1200 per year.

Hardware components may remain the property of their manufacturers, who need not provide ongoing maintenance, repairs, upgrades or updates unless you pay for them.

We will have independent access to the sales information and data produced by your POS system. We reserve the right to change and/or update the POS System specifications from time to time, but any such changes would apply prospectively. There are no obligations to upgrade the system once installed provided it continues to provide the functionality we require as set forth in this section.

Regional Directorship: If you are a Regional Director, we may require you to use specific business management software for the management of your business, from franchisee recruitment and selection of potential sites through the completion of construction, store opening obligations and ongoing franchisee support. We may charge you a fee to use the software on either a per project basis or based on the use of the software over a designated period of time. Currently, we do not require a specific brand of software.

You must purchase a laptop computer and computer software for the operation of your business. Although we do not, as of the date of this Offering Circular, require you to purchase computer hardware and software that meets any specifications, we recommend that you purchase for use in the operation of your business a computer with Intel® Pentium® M Processor 770, 512mb SDRAM memory, 40GB internal hard drive, Windows® XP Professional, or newer.

6. Confidential Operations Manual. Attached to this offering circular, as Exhibit H, is the Table of Contents of our Confidential Operations Manual.

7. Methods Used by Us to Consent to Your Store Location. While we may provide assistance from time to time, in our discretion, it is incumbent upon you to locate, submit for our approval, and, once consented to by us, secure by purchase or lease a site which is suitable for the Store. Failure to do so with respect to a Store will cause you to be in violation of your area development agreement and franchise agreement. There is no contractual limit on the time it takes us to determine whether we will consent to your proposed site or lease, but it will typically take us 7 days from the time that we have all of the necessary documentation for review. We must also approve any lease that you propose to enter into. We will take into account in determining whether to consent to a site various factors including, but not limited to, location and condition of the shopping mall, location of the proposed Store within the shopping mall or shopping district, customer traffic patterns, demographics, geographics, store size, surrounding area and the requirements of any lease agreements. You may not develop or open your Store until we have consented to your site.

8. Length of Time Between Signing Franchise Agreement and Opening.

Store: The typical length of time between the signing of a Development Agreement or the Franchise Agreement, or the receipt of any consideration, whichever event occurs first, and the opening of the Store is between four months and six months. This will depend on your ability to locate a site, negotiate and sign a lease (or purchase), and secure financing. It will also be affected by the extent to which you must upgrade or remodel an existing location, timing of required permits, delivery schedules for equipment, inventory and supplies, and completion of training.

Regional Director Franchise: The typical length of time between the signing of the Regional Director Agreement, or the first payment of any consideration for the franchise, and the opening of your business is approximately 1 to 2 months. Factors that may impact this length of time may include our scheduling of the Regional Director Training programs and your training attendees' ability to complete the training program.

9. Training Programs. Our Store and Regional Director training programs are led by John Proctor, Manager of Training. Mr. Proctor has been employed by us or our predecessor since November 1998 and prior to becoming our Manager of Training, served as a store manager in several of our stores in the Orlando, Florida market. Mr. Proctor was appointed Manager of Training in January 2005, and he leads and coordinates all training programs within the company, including in-store training. He also uses other instructors who have operations experience with us, including managing our stores, and who teach topics in which they are qualified by prior experience.

We bear the cost of maintaining our training facility in Orlando, Florida, including the overhead cost of training, staff salaries, and training materials. You must pay all traveling, living and other incidental expenses incurred by you and your employee(s) regarding attendance at the training program. Our current training program is described below. We reserve the right to

modify the program from time to time as we deem appropriate. All persons attending the our training programs must, prior to attending the program, sign and deliver to us all covenants and agreements regarding confidentiality required by us.

Store Franchise

You and your full-time store manager are required to successfully complete our mandatory training program as outlined in the following table, prior to opening your Store for business. The instructional materials you will receive and use during the training program include handout materials, instructional manuals and visual aids (i.e., slides, video tapes, and overhead transparencies). The classroom portion of the training program (which generally lasts 5 days) is offered bi-weekly, and the in-store portion of the training program (which also lasts 5 days) is offered on alternating weeks.

Subject Matter	Approximate Number of Hours/Days	Location
Customer Service	4 Hours	Our headquarters in Orlando, FL
Cashier	3 Hours	Our headquarters in Orlando, FL
Beverage/ Pastry	2 Hours	Our headquarters in Orlando, FL
Barista/Espresso	2.5 Hours	Our headquarters in Orlando, FL
Coffee and Tea	3 Hours	Our headquarters in Orlando, FL
Retail/Hard Lines	1.5 Hours	Our headquarters in Orlando, FL
Management	4.5 Hours	Our headquarters in Orlando, FL
Staffing & Hiring	1.5 Hours	Our headquarters in Orlando, FL
Merchandising & Marketing	3.5 Hours	Our headquarters in Orlando, FL
Ordering & Receiving	1.5 Hours	Our headquarters in Orlando, FL
Review Material	2 Hours	Our headquarters in Orlando, FL
Tests	1.5 Hours	Our headquarters in Orlando, FL
Quizzes	4 Hours	Our headquarters in Orlando, FL
Equipment Troubleshooting & Maintenance	2 Hours	Our headquarters in Orlando, FL
In-store Practicum	5 Days	A Company store in the Orlando, FL metropolitan area

Regional Director Training

Subject Matter	Approximate Number of Hours/Days	Location
Store Franchise Training (see table above)	10 Days	Our headquarters in Orlando, FL
Train the Trainer	1 Day	Our headquarters in Orlando, FL
Franchise Sales Basics	1 Day	Our headquarters in Orlando, FL

We may also provide you with informal training at franchisee meetings, which we may require you to attend from time to time. Additionally, if you request it, we may, at our option and space permitting, permit you to re-attend our initial Store training program. You must pay all traveling, living and other incidental expenses incurred by you and your employee(s) regarding attendance at any franchisee meeting or any training programs that you attend.

ITEM 12 **TERRITORY**

Store: You are granted the right under the Franchise Agreement to operate a Store only at the premises approved by us. You may not re-locate your Store unless we have consented to your relocation and to your proposed site in advance and in writing. Our identification of or consent to any site does not constitute a guarantee, recommendation or assurance by us as to the likelihood of success of the site or your Store. The site selection factors considered by us in deciding whether or not to approve your location may include the following: (a) demographics; (b) traffic patterns; (c) visibility; (d) business mix; (e) ability to reflect the image to be portrayed by BARNIE'S COFFEE & TEA COMPANY; and (f) the adequacy of signage. If the Store is located within an enclosed shopping mall, we agree that, without your prior written consent, we will not operate a Store, or franchise or otherwise license any person to operate a Store, located within the same mall. We may operate or license others to operate a Store at any site located outside of the mall or other location (other than in the same enclosed shopping mall), even if that Store competes for customers. Continuation of the franchise rights, to the extent granted, is not dependent upon achievement by you of any certain sales volume, market penetration or the meeting of some other contingency other than compliance with the Franchise Agreement. You are not granted any rights of first refusal or options to acquire additional franchise rights.

Area Development: The Area Development Agreement grants you the right to develop Stores in a specific Area, within which we will not operate or franchise others the right to operate Stores until the end of your development period, provided you satisfy your Store development schedule and other requirements of the Area Development Agreement. The Area is agreed upon by you and us and is usually described in terms of an entire state, a cluster of counties within a state or marketing areas within described boundaries. Because Stores are often developed inside of enclosed malls, the Area may bear a relationship to the location and clusters of shopping malls. The Area will vary depending upon market conditions and competition in the locale in

which the Area is located. The boundaries of the Area will be described in each Area Development Agreement by such factors as boundary streets, political boundaries where appropriate or by an area encompassed within a radius of a specific distance. The Area will be described in your Area Development Agreement either by listing counties, describing boundaries or by attaching a map as an exhibit to the Area Development Agreement. In each case, your rights in the Area will be non-exclusive with respect to any locations which are considered non-traditional, including, without limitation, airports, travel plazas, university campuses, sports arenas and medical facilities. The duration of your period of limited exclusivity depends in part on the number of Stores which you agree to develop. Your rights apply only to the development of Stores within the Area. We reserve the right to license other people to use the Trademarks in connection with the sale of proprietary products within the Area but outside of a Store environment (for example, restaurants may be allowed to brew and serve Barnie's branded coffees). We also reserve the right, and you are not granted the right, to retail products bearing the Marks in non-Store retail and wholesale channels (for example, via mail order, e-commerce, grocery stores, etc.).

The continuation of your rights in your Area are dependent upon meeting the development schedule. If you fail to meet the timetable prescribed by the development schedule for obtaining our approval of the site for each Store location prior to the expiration date and thereafter for purchasing or leasing the premises, ordering equipment and supplies, commencing construction and opening the Store, you will be in default and the Area Development Agreement may be terminated by us. Alternatively, in the event of your default, we have the right to revoke your limited exclusivity, without terminating the Area Development Agreement, in which case we may operate or franchise others the right to operate BARNIE'S COFFEE & TEA COMPANY Stores in your Area.

If we independently and without solicitation receive an offer to lease a suitable site for development in the Area, we will first offer the location to you. If you fail to lease the applicable location, then we will be permitted to either directly develop or franchise such location. Otherwise, you are not granted any rights of first refusal or other options to acquire additional development rights or additional territory.

Regional Directorship: Although we assign Regional Director franchisees a specific territory (the "Territory"), this gives you only a nonexclusive right to solicit and recruit prospective Store franchisees for locations in your Territory. We may recruit prospective franchisees and sell Store franchises for locations in your Territory. If we do, you will not earn a Sales Services Commission. Although the Regional Director Agreement does not obligate us to do so, we may elect to turn over to you the sales leads that we receive from prospects looking to acquire a Store franchise for a location in your Territory so that you can pre-qualify the candidate. In such cases, you would provide Sales Services (as defined in the Regional Director Agreement) to the candidate and earn a Sales Services Commission.

If you earn a Sales Services Commission on a franchise sale in your Territory (whether you, or we, are the procuring cause for the franchise sale), we count the sale towards your development quota. If you do not earn a Sales Services Commission on a franchise sale in your Territory (as is the case if we sell a franchise for a Special Site Location in your Territory and

you are not the procuring cause for the franchise sale), we do not credit the sale towards your development quota.

You may only solicit prospects that reside, or maintain their principal place of business, in your Territory. If the prospect chooses to locate their Store franchise outside of your Territory, you may still earn a Sales Service Commission, but will not receive a Site Services Commission or Royalty Fees. You may not solicit prospects that reside, or maintain their principal place of business, outside of your Territory.

If you provide site and ongoing support services to a franchisee located in your Territory, even to a Store franchisee whom we recruit, we will pay you a Site Services Commission and a percentage of the Royalty Fees that we collect from the Store franchisee except we do not share Royalty Fees from any Store that we or any affiliate owns.

When we offer to sell you the Regional Director franchise, we will identify the boundaries of your Territory by a map or written description. The size may vary from one Regional Director to the next. In identifying Regional Director territories, we primarily consider demographic factors, traffic patterns, competition, site availability, economic trends, your capacity to recruit and provide services in a large area and the number of Stores we believe the area can support. We identify the Territory before you sign the Regional Director Agreement. We will not place another Regional Director in your Territory during the term of the Regional Director Agreement.


As a condition of the Regional Director franchise, you must satisfy annual and cumulative minimum development quotas. These quotas will be identified in Appendix A to the Regional Director Agreement. Regional Director development quotas may vary considerably between Regional Director businesses. We may terminate the Regional Director Agreement if you fail to meet any development quota. See Regional Director Agreement, Section 17.2.

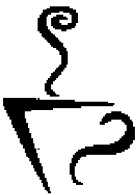

Rights Reserved to Us: We are a wholesale distributor of products and goods, including gourmet coffees and teas, and are not precluded by the Franchise Agreement, Area Development Agreement, or Regional Director Agreement from distributing such products and goods anywhere, including within the shopping center or other property in which your Store is located (except with respect to a Store within the same mall if the Store is located within an enclosed shopping mall). We reserve for ourselves and our affiliates, all other rights and activities, including, without limitation: (a) the right to operate or license others to operate Stores at locations other than your Store premises, (b) the right to distribute and authorize others to distribute Barnie's Products under the Marks or other trademarks at wholesale to other retailers anywhere in the world, and (c) the right to market and distribute the Products, and to authorize others to market and distribute the Products, at retail, through facilities other than Stores (for example, areas within other retail stores), mail order, the internet or other such channels, to customers located anywhere in the world, in each case, even if the exercise of such rights competes with the Store. You are not authorized to exercise any of these rights or operate in these channels. Neither the Franchise Agreement, the Area Development Agreement, nor the Regional Director Agreement precludes us or an affiliate from establishing franchises or company-owned outlets selling similar products or services under different tradenames or trademarks. In addition, your rights will be non-exclusive with respect to any locations which

are considered non-traditional, including, without limitation, airports, travel plazas, university campuses, sports arenas and medical facilities.

ITEM 13 **TRADEMARKS**

The following are the principal trademarks (the “Marks” or, when used in the singular, the “Mark”) that, unless otherwise noted, are registered under the Principal Register of the United States Patent and Trademark Office (the “USPTO”) and are licensed to you pursuant to the Franchise Agreement:

Mark	Class	Registration No.	Date of Registration
BARNIE’S COFFEE & TEA COMPANY	16	1,457,404	September 15, 1987
	21	1,458,379	
	25	1,596,520	September 22, 1987
	30	1,457,659	May 15, 1990
			September 15, 1987
BARNIE’S	30 and 35	2,736,470	July 15, 2003
BARNIE’S	30	1,458,597	September 22, 1987
BARNIE’S COFFEE&TEA COMPANY	30	1,458,596	September 22, 1987
	30	1,458,595	September 22, 1987

	16 and 21	2,648,142	November 12, 2002
	25	2,473,748	July 31, 2001
	35	2,475,872	August 7, 2001
	30 and 35	2,752,475	August 19, 2003

All required affidavits and renewals for the Marks have been filed, as necessary.

We have also filed an application with the USPTO for registration of the following principal mark:

Mark	Class	Serial No.	Filing Date
BARNIE'S	43	78/873,475	May 1, 2006

There are no currently effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor are there any pending infringement, opposition or cancellation proceedings or any pending material litigation involving the Marks which are relevant to their use in this state or the state in which the Store is to be located.

There are no agreements which significantly limit our rights to use or license the use of the Marks in any manner material to you.

There are no infringing uses actually known to us that could materially affect your use of the Marks in this state or the state in which your Store would be located. We are not obligated by the Franchise Agreement or otherwise to protect any rights granted to you to use the Marks, or to protect you against any claim of infringement or unfair competition with respect to them. Nonetheless, it is in our best interest to do so, and in the event we, in our sole discretion, undertake the defense or prosecution of any litigation relating to the Marks, you agree to execute any and all documents, and to render such assistance (exclusive of monetary assistance) as may, in the opinion of our counsel, be reasonably requested to carry out such defense or prosecution. In the event the litigation involving the Marks is instituted or threatened against you, you are required to promptly notify us.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any patents which are material to the Franchise. We claim copyrights for the Confidential Operations Manual, all advertising and promotional materials, training materials, display materials and any other original copyrightable works created by our employees or transferred to Barnie's by third parties, although these materials have not been registered with the United States Registrar of Copyrights.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. There are no agreements in effect which significantly limit our right to use or license the copyrighted materials. There are no infringing uses actually known to us which could materially affect your use of the copyrighted materials in any state. We are not required by any agreement to protect or defend copyrights.

You must acknowledge that your knowledge of the operation of a Store will be derived from information we disclose to you pursuant to the Franchise Agreement and that such information, including the contents of the Confidential Operations Manual, is proprietary and confidential. You must agree that you will maintain the absolute confidentiality of all such information during and after the term of the Franchise Agreement and that you will not use any such information in any other business.

ITEM 15
**OBLIGATION TO PARTICIPATE IN THE ACTUAL
OPERATION OF THE FRANCHISE BUSINESS**

Store/Area Development: We require that each Store be under the direct on-premises supervision of a trained manager at all times. That person does not have to be you, although you are ultimately responsible for meeting your obligations under the Franchise Agreement, including compliance with the minimum standards, qualities, product mix requirements, Store operations standards and procedures set forth in the Confidential Operations Manual, and elsewhere. We also require that the full-time Store manager attend and complete the initial Store training program and any supplemental or recertification training programs.

We may require your full-time Store manager, all of your personnel performing sales, managerial or supervisory functions, and all of your personnel receiving special training from us to execute covenants similar to those set forth in section 15.7 of the Franchise Agreement (confidentiality, nondisclosure and noncompete covenants). We also have the right to require any other of your employees or any holder of a beneficial interest in the Franchise to execute similar covenants.

If you are a legal entity, all of your owners and their spouses must personally guarantee your obligations under the Franchise Agreement and also must agree to be personally bound by the Agreement's confidentiality, nondisclosure and noncompetition covenants. See the Individual Acknowledgement and Guaranty of Franchisee's Undertaking attached to the Franchise Agreement.

Regional Directorship:

If you are a Regional Director, you or your Managing Owner must devote full time and best efforts to the operation of your Regional Director business. We allow you 60 days after you sign the Regional Director Agreement and to have your Managing Owner and your Operations Manager (if applicable) complete initial training.

You must keep us informed of the identity of your Operations Manager and your other employees with management responsibility. Although any Operations Manager need not have any ownership interest in the Regional Director, we may require them to sign a Confidentiality, Non-Disclosure and Non-Competition Agreement, which will require them to maintain the confidentiality of proprietary information described in Item 14 and abide by the non-compete covenants described in Item 17.

Although you may be instrumental in identifying future franchisees and in servicing franchisees in your Regional Director Territory, you are not a party to the Franchise Agreement that we enter into with franchisees in your Regional Director Territory (other than any Franchise Agreements for Stores that you own). Therefore, you will not have any contractual relationship with the Store franchisees in your Regional Director Territory. In carrying out our duties to franchisees in your Regional Director Territory, you will act as our agent.

ITEM 16 **RESTRICTIONS ON WHAT YOU MAY SELL**

You are limited to the retail sale from the Store of gourmet coffee and teas, designated food items, and approved products related to coffee and teas and such other items as we may approve from time to time. All products offered for retail sale by you must be approved in writing in advance by us. We have the right to change the types of authorized products periodically. There are no limits on our right to do so. You may not engage in the business of wholesale distribution of coffees, teas and related products from any location whatsoever.

You are prohibited from developing, creating, generating, owning, licensing, leasing or otherwise utilizing any computer media and/or electronic media (including but not limited to the Internet) which may be used, or in any manner uses, displays or utilizes our trademarks, trade names, or other commercial symbols or offers to sell or sells any of the products and/or services which are or may at a later date be offered for sale in a Store. If you desire to utilize any computerized or electronic media in conjunction with the operation of a Store, you must obtain our prior written approval of such usage, and we may in our sole discretion approve or not approve such usage. If we grant approval, we or our affiliates will be the owners of and/or control the approved computerized or electronic media.

ITEM 17 **RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

THIS TABLE LISTS IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS OFFERING CIRCULAR.

Franchise Agreement = FA (Exhibit B)
Area Development Agreement = ADA (Exhibit C)
Regional Director Agreement = RDA (Exhibit D)

PROVISION	ARTICLE OR SECTION IN AGREEMENT	SUMMARY
a. Term of the Franchise	FA §1.3; ADA §3.2; RDA §16.1	FA – Term of 10 years. ADA – End of last development period. RDA – Term is 5 years
b. Renewal or extension of the term	FA §1.4; ADA §3.3; RDA §16.2	FA – One additional term corresponding with renewal term of underlying Store lease. ADA – No automatic right of renewal; RDA – One additional 5-year term.
c. Requirement for you to renew or extend	FA § 1.4; RDA §§ 16.2-16.5	FA – Lease or sublease renewed, store refurbished, no default, payment of renewal fee, sign Franchise Agreement, release RDA – No default, payment of renewal fee, accept new development quotas which we may impose for the renewal term, release, sign new Regional Director Agreement
d. Termination by you	ADA §10.1; RDA § 17.1	ADA – on 30 days’ notice for uncured default. RDA – Upon 180 days’ written notice for any reason.
e. Termination by us without cause	None	None
f. Termination by us with cause	FA Art. 14; ADA §10.2; RDA § 17.2	We can terminate if you default.

PROVISION	ARTICLE OR SECTION IN AGREEMENT	SUMMARY
g. "Cause" defined - defaults which can be cured	FA §14.2; ADA §10.2; RDA § 17.2	<p>FA – You have 5 days to cure lease or loan defaults (shorter if required under the lease or loan); 10 days to cure nonpayment of sums due; 30 days to cure sale of nonapproved items, failure to file reports and statements, failure to maintain operating hours, other defaults not covered under § 14.1 of Franchise Agreement.</p> <p>ADA – You have up to 30 days to cure for certain defaults.</p> <p>RDA – You have 180 days to cure a failure to meet the Development Quota; 30 days to cure the non-payment of amounts due and owing; and 90 days to cure any other default not listed in h. below.</p>
h. "Cause" defined - defaults which cannot be cured	FA Art. 14.1; ADA §10.2; RDA § 17.2	<p>FA – Noncurable defaults: unauthorized assignments, transfers, etc., bankruptcy, insolvency, etc., unauthorized pledge of Franchise, disclosure of trade secrets, failure to cure default under lease or sublease within 5 days shorter than cure period under lease, refusal to enter into lease or sublease, failure to agree upon location or lease for new Franchise within 90 days of execution of Franchise Agreement, failure to meet obligations to suppliers, filing materially false Royalty reports and other substantial financial information, violation of applicable health, safety or sanitation laws and other regulations, material misrepresentation in Franchise application, refusal to permit inspection, failure to complete certification and recertification training programs, termination of other franchise agreements for default, abandonment of the Store and where we have issued 3 notices of default in any 12-month</p>

PROVISION	ARTICLE OR SECTION IN AGREEMENT	SUMMARY
		<p>period.</p> <p>ADA – bankruptcy, felony conviction, criminal act likely to adversely affect Bernie’s System, insolvency, a default under a Franchise Agreement, unauthorized transfer, failure to meet Performance Schedule, material misrepresentation in application, unauthorized use of confidential information, we have issued 3 notices of default in a 12-month period, we have terminated a Franchise Agreement due to your breach or you failed or refuse to comply with any other provision of Agreement and do not correct within 30 days of notice.</p> <p>RDA – Noncurable defaults include abandonment, insolvency, unapproved assignments or transfers, convictions, multiple defaults, failure to comply with franchise laws, defaults under leases with Store franchisees coupled with failure to assign lease interest to us, failure to complete training, material misrepresentation made in franchise application or in operation as Regional Director</p>

PROVISION	ARTICLE OR SECTION IN AGREEMENT	SUMMARY
i. Your obligations on termination/nonrenewal	FA §§14.3-14.5; ADA Art. 11; RDA §§ 17.3-17.8	FA – Cease to operate Store, turn over manuals and other proprietary information, pay all amounts due and stop advertising. We have the right to purchase your inventory and/or assets at adjusted book value. ADA – Cease to use marks and tradenames, return manuals, maintain confidential information and comply with covenant not to compete. RDA – Your obligations include: complete de-identification; at our request, assign any Store lease to us; cease using the Marks; deliver to us all franchisee sales leads and records and all records relating to franchisees in the Regional Director Territory; assign us your telephone numbers and business listings; pay all sums that you owe to us and any damages that we sustain in enforcing the termination provisions of the Regional Director Agreement; return the Operations Manual and any other confidential or proprietary information; comply with the covenants not to compete; we have the right to purchase assets of your business (also see n., o. and r. below).
j. Assignment of contract by us	FA §12.9; ADA §8.5; RDA § 15.1	No restrictions.
k. “Transfer” by you - definition	FA §12.1; ADA §8.1; RDA § 15.2	Includes transfer of agreement, the Store (Or Regional Director Business), or its assets or any part or all of the ownership of the franchisee or transfer of daily operations.

PROVISION	ARTICLE OR SECTION IN AGREEMENT	SUMMARY
l. Our approval of transfer by you	FA §12.2; ADA §8.2; RDA §15.5	We have the right to approve all transfers, but will not unreasonably withhold approval except as to transfer of Area Development Agreement.
m. Conditions for our approval of transfer	FA §12.3; ADA §8.2; RDA § 15.3	Transferee must be experienced and financially sound, must assume all your existing obligations and the transferee must have satisfactorily completed training, you or transferee must pay a transfer fee and we will require a general release from you. Transferee assumes all of your obligations and you sign a separate non-competition agreement (RDA).
n. Our right of first refusal to acquire your business	FA §12.8; ADA §8.4; RDA § 15.7	We can match any offer for your business.
o. Our option to purchase your business	None	None
p. Your death or disability	FA §12.7; ADA §8.3; RDA § 15.6	Store or Area Development rights must be transferred within 12 months. RDA – Transfer to heir or successor in interest is subject to same terms and conditions as other transfers.
q. Noncompetition covenants during the term of the Franchise	FA §15.3; ADA §13.3; RDA § 12.1	FA – No competing business, at wholesale or retail ADA - No competing business, at wholesale or retail. RDA – No direct or indirect interest in a competitive business operating or granting franchises for coffee shops or other food service businesses deriving more than 10% of its gross receipts from the sale of coffees, teas, pastries, etc.
r. Noncompetition covenant after the Franchise is terminated or expires	FA §15.4; ADA §13.4; RDA § 17.5	FA – No competing business, at wholesale or retail, for 2 years within 5 miles of any Store.

PROVISION	ARTICLE OR SECTION IN AGREEMENT	SUMMARY
		<p>ADA - No competing business, at wholesale or retail, for 2 years within the Exclusive Area or 5-mile radius of any Store.</p> <p>RDA – No direct or indirect involvement in a competing business for 2 years in any territory in which we or our affiliates or Regional Directors conduct business.</p>
s. Modification of the agreement	FA §22.7; ADA § 20.2; RDA § 20.2	No modifications generally, but operating manual subject to change.
t. Integration/merger clause	FA §22.7; ADA § 20.2 RDA § 20.10	Only the terms of the Agreement are binding. Any other promises may not be enforceable.
u. Dispute resolution by arbitration or mediation	FA §18.2; ADA §16.2; RDA § 19.1	<p>FA – No arbitration. All parties waive right to jury trial (subject to state law).</p> <p>ADA – No Arbitration. All parties waive right to jury trial (subject to state law).</p> <p>RDA – Except for certain claims, all disputes must be arbitrated in Orlando, Florida (subject to state law).</p>
v. Choice of forum	FA §18.1; ADA §16.1; RDA § 19.2	Location of our principal office in Florida (subject to state law).
w. Choice of law	FA §18.1; ADA §16.1; RDA § 19.2	Florida law applies (unless prohibited by laws of the state in which the Store or Regional Director Business is located).

These states have statutes, which if applicable to the Franchise Agreement, and subject to our right to challenge the validity, applicability or construction of such statutes, may supersede the Franchise Agreement in your relationship with us including the areas of termination, renewal of your franchise, jurisdiction, venue and choice of law: ALASKA [Stat. Sections 45.45.700 – 45.45.790], ARKANSAS [Code Sections 4-72-201 – 4-72-210], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Sections 42-133e-42-133h], DELAWARE [Code Sections 2551 – 2556], FLORIDA [Stat. Section 542.335], HAWAII [Rev. Stat. Section 482E-6], IDAHO [Code Section 29-110], ILLINOIS [815 ILCS

Sections 705/1-44], INDIANA [Code Sections 23-2-2.7-1 – 23-2-2.7-7], IOWA [Code Sections 523H.1 - 523H.17 and 537A.10], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Sections 80C.14 and 80C.21], MISSISSIPPI [Code Sections 75-24-51 – 75-24-63], MISSOURI [Rev. Stat. Sections 407.400 – 407.413 and 407.420], NEBRASKA [Rev. Stat. Sections 87-401 – 87-410], NEW JERSEY [Rev. Stat. Sections 56:10-1 – 56:10-12], NORTH CAROLINA [Gen. Stat. Section 22B-3], RHODE ISLAND [Stat. Sections 19-28.1-14 – 19-28.1-16; Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim enforceable under this Act”], SOUTH DAKOTA [SDCL Sections 37-5A-51 and 37-5A-51.1], VIRGINIA [Code Sections 13.1-557 – 13.1-574], WASHINGTON [Rev. Code Section 19.100.180], WISCONSIN [Stat. Sections 135.01 – 135.07]. These and other states may have court decisions, which may supersede the Franchise Agreement in your relationship with us including the areas of termination and renewal of your franchise.

ITEM 18 **PUBLIC FIGURES**

We do not use any public figures to promote the franchises.

ITEM 19 **EARNINGS CLAIMS**

Other than as described below in this Earnings Claim, neither we nor any affiliates furnish, or authorize salespersons (or anyone else) to furnish, and you should not rely on, any oral or written information concerning the actual or potential sales, costs, income or profits of a BARNIE’S COFFEE AND TEA COMPANY® Store. We have not suggested, and we certainly cannot guarantee, that you will succeed in the operation of your Store, since the most important factors in the success of any BARNIE’S COFFEE AND TEA COMPANY® Store, including the one to be operated by you, are your personal business, marketing, management, judgment and other skills and your willingness to work hard and adhere to the BARNIE’S COFFEE AND TEA COMPANY® system. Actual results vary from Store to Store, site to site and market to market, and we cannot estimate or project the results for any particular Store.

This Earnings Claim contains information relating to BARNIE’S COFFEE AND TEA COMPANY® franchised and company-owned Stores in the continental United States that had been open and operating for at least 12 months as of September 30, 2006. The information for all Stores is for Bernie’s I’s 2006 fiscal year (the twelve-month period ended September 30, 2006).

The Earnings Claim includes information on Net Sales only. For purposes of this Earnings Claim, “Net Sales” includes all sales and all business transacted in, or through and from a Store, less approved returned merchandise and sales taxes. This figure includes revenues related to coffee and tea sales, food sales, as well as revenue from the sale of various other products and accessories offered for Sale at BARNIE’S COFFEE AND TEA COMPANY® Stores. The Earnings Claim, however, does not include any information on expenses, such as cost of goods sold, start-up expenses, development costs, franchise fees, royalties, advertising

expenses, or any other cost associated with the opening and operation of a BARNIE'S COFFEE AND TEA COMPANY® Store. See Items 5, 6 and 7 of the Offering Circular for estimates and other information pertaining to the fees and initial investment required for the development of a Store.

Substantiation of the data contained in this Earnings Claim will be made available to you upon reasonable request.

Earnings Claim

Net sales of BARNIE'S COFFEE AND TEA COMPANY® Stores (for the twelve month period ended September 30, 2006) (Approximately 12 Months of Operation)		
	Average Annual Net sales	Percentage of Stores That Met or Exceeded Average
Company-Owned Stores (35 Stores*)	\$451,069.50	51%
Franchised Stores (24 Stores)	\$342,253.77	42%

- * As noted in Item 20 below, in October 2006, Barnie's I closed 50 company-owned Stores, many of which were included in this Earnings Claim, pursuant to a transfer of real estate to a third party. These 50 locations are no longer operated as BARNIE'S COFFEE AND TEA COMPANY® Stores. A significant number of these Stores were closed prior to September 30, 2006, in order to prepare for the transfer and were, therefore, not included in the earnings claim. As of December 31, 2006, Barnie's II owned and operated 7 BARNIE'S COFFEE & TEA COMPANY Stores through a wholly-owned entity, Barnie's Café.

WARNINGS THAT APPLY TO THE EARNINGS CLAIM:

A. THE BARNIE'S COFFEE AND TEA COMPANY® STORES INCLUDED IN THIS EARNINGS CLAIM ARE ONLY THOSE 35 COMPANY-OWNED AND 24 FRANCHISED STORES THAT HAD BEEN OPEN AND OPERATING IN THE CONTINENTAL UNITED STATES FOR AT LEAST 12 MONTHS AS OF SEPTEMBER 30, 2006. YOU ARE LIKELY TO ACHIEVE RESULTS THAT ARE DIFFERENT, POSSIBLY SIGNIFICANTLY AND ADVERSELY, FROM THE RESULTS SHOWN ABOVE. THE RESULTS FOR THE COMPANY-OWNED STORES ALSO MAY BE DIFFERENT FROM THE RESULTS YOU EXPERIENCE BECAUSE THESE STORES MAY HAVE SERVED AS A TRAINING FACILITY FOR OUR PERSONNEL AND

FRANCHISEES. THESE AND OTHER FACTORS ALSO LIKELY MAY IMPACT LABOR AND PRODUCT COSTS.

MANY FACTORS, INCLUDING LOCATION OF THE STORE, MANAGEMENT CAPABILITIES, LOCAL MARKET CONDITIONS, AND OTHER FACTORS, ARE UNIQUE TO EACH STORE AND MAY SIGNIFICANTLY IMPACT THE FINANCIAL PERFORMANCE OF THE STORE.

B. THE RESULTS INCLUDED IN THIS STATEMENT SHOULD NOT BE CONSIDERED AS THE ACTUAL OR PROBABLE PERFORMANCE RESULTS THAT YOU SHOULD EXPECT THROUGH THE OPERATION OF YOUR STORE. NEITHER WE NOR ANY OF OUR AFFILIATES OR BROKERS MAKE ANY PROMISES OR REPRESENTATIONS OF ANY KIND THAT YOU WILL ACHIEVE ANY PARTICULAR RESULTS OR LEVEL OF SALES OR PROFITABILITY OR EVEN ACHIEVE BREAK-EVEN RESULTS IN ANY PARTICULAR YEAR OF OPERATION.

C. YOU ARE RESPONSIBLE FOR DEVELOPING YOUR OWN BUSINESS PLAN FOR YOUR STORE, INCLUDING CAPITAL BUDGETS, FINANCIAL STATEMENTS, PROJECTIONS AND OTHER ELEMENTS APPROPRIATE TO YOUR PARTICULAR CIRCUMSTANCES. WE ENCOURAGE YOU TO CONSULT WITH YOUR OWN ACCOUNTING, BUSINESS, AND LEGAL ADVISORS IN DOING SO. IN DEVELOPING THE BUSINESS PLAN, YOU ARE CAUTIONED TO MAKE NECESSARY ALLOWANCE FOR CHANGES IN FINANCIAL RESULTS TO INCOME, EXPENSES, OR BOTH, THAT MAY RESULT FROM OPERATION OF YOUR STORE IN DIFFERENT GEOGRAPHIC AREAS OR NEW MARKET AREAS, OR DURING PERIODS OF, OR IN AREAS SUFFERING FROM, ECONOMIC DOWNTURNS, INFLATION, UNEMPLOYMENT, OR OTHER NEGATIVE ECONOMIC INFLUENCES.

D. HISTORICAL COSTS DO NOT NECESSARILY CORRESPOND TO FUTURE COSTS BECAUSE OF FACTORS SUCH AS INFLATION, CHANGES IN MINIMUM WAGE LAWS, LOCATION, FINANCING, REAL ESTATE-RELATED COSTS AND OTHER VARIABLES. ALL INFORMATION SHOULD BE EVALUATED IN LIGHT OF CURRENT MARKET CONDITIONS INCLUDING SUCH COST AND PRICE INFORMATION AS MAY THEN BE AVAILABLE. PROSPECTIVE FRANCHISEES MUST BEAR IN MIND THAT A NEWLY OPENED BUSINESS CANNOT BE EXPECTED TO ACHIEVE SALES VOLUMES OR MAINTAIN EXPENSES SIMILAR TO THOSE OF AN ESTABLISHED BUSINESS.

E. IN ADDITION TO THE EXPENSES ASSOCIATED WITH OPERATION OF YOUR STORE, YOU WILL INCUR OTHER EXPENSES THAT ARE PAID TO US, SUCH AS THE INITIAL FRANCHISE FEE AND ROYALTIES (SEE ITEMS 5 AND 6 OF THIS OFFERING CIRCULAR). THESE FEES ARE NOT ACCOUNTED FOR IN THIS EARNINGS CLAIM. YOU MAY ALSO INCUR OTHER ADDITIONAL EXPENSES INCLUDING, BUT NOT LIMITED TO, INSURANCE, LEGAL AND ACCOUNTING EXPENSES, INTEREST ON DEBT SERVICE, RENT (IF APPLICABLE), DEPRECIATION AND AMORTIZATION, PROPERTY TAXES, AND

OTHER TAXES AND LICENSES. YOU AND YOUR ADVISORS SHOULD CONSIDER THIS IN YOUR DUE DILIGENCE AND PREPARATION OF YOUR BUSINESS PLAN.

F. THE FIGURES RELATING TO FRANCHISEE NET SALES ARE BASED ON INFORMATION THAT WE RECEIVED FROM OUR STORE FRANCHISEES. THE FIGURES FOR THE FRANCHISED STORES AND FOR THE COMPANY-OWNED STORES HAVE NOT BEEN AUDITED BY US OR BY AN INDEPENDENT AUDITOR.

ITEM 20
LIST OF FRANCHISED OUTLETS

**STORE FRANCHISE
STATUS SUMMARY
FOR YEARS 2006/2005/2004⁽¹⁾**

STATE	TRANSFERS	CLOSED OR TERMINATED	NOT RENEWED	REACQUIRED BY COMPANY	LEFT THE SYSTEM OTHER	TOTAL FROM LEFT COLUMNS	STORES OPERATING AT END OF FISCAL YEAR
Alabama						0/0/0	2/2/2 ⁽²⁾
California							0/0/0
Florida	1/0/0	4/5/0 ⁽³⁾				5/5/0	14/13/5
Georgia	0/1/0					0/1/0	1/1/0
Illinois							0/0/0
Indiana					0/0/1	0/0/1	1/1/1
Maine							1/0/0
Michigan							0/0/0
N. Carolina							2/2/2
Ohio					0/0/1	0/0/1	0/0/1
S. Carolina		1/1/0 ⁽³⁾					0/0/0
Tennessee	0/1/0					0/1/0	4/4/3
Texas							0/0/0
Virginia							2/2/2
TOTAL						6/7/2	27/25/16

- (1) The numbers listed for 2004 and 2005 are as of the fiscal year end of our predecessor and affiliate, Bernie's I, for 2004 (the twelve month period ended September 25, 2004) and 2005 (the twelve month period ended September 24, 2005). The 2006 numbers include information for both: (a) Bernie's I's 2006 fiscal year (the twelve month period ended September 30, 2006) and (b) for the three-month period between October 1, 2006 and our most recent fiscal year end, December 31, 2006.
- (2) One of the two units listed under Alabama terminated as January 1, 2006.
- (3) Four of the terminations listed under Florida and the one termination listed under South Carolina for the year 2006 (which includes information for October 1, 2005 to December 31, 2006) refer to franchises that were voluntarily or involuntarily terminated prior to their Store opening.

Included in Exhibit E to this Offering Circular is a list of all Store franchises as of December 31, 2006. Included in this Offering Circular as Exhibit F is a list of all Store franchises that have had an agreement terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during: (a) Bernie's I's 2006 fiscal year (the twelve month period ended September 30, 2006) and (b) the three-month period between October 1, 2006 and our most recent fiscal year end, December 31, 2006. Exhibit F also includes all Store franchisees that have not communicated with us within ten (10) weeks of the date of this Offering Circular.

**STATUS OF COMPANY-OWNED⁽¹⁾ STORES
FOR YEARS 2006/2005/2004**

State	Stores Closed During Year	Stores Open During Year	Total Stores Operating as of December 31
Alabama	1/0/0	0/0/0	0/1/1
Florida	38/1/2	1/0/0	7/44/45
Georgia	3/0/0	0/0/0	0/3/3
Maryland	0/0/2	0/0/0	0/0/0
New Jersey	1/0/0	0/0/0	0/1/1
New Mexico	0/1/0	0/0/0	0/0/1
New York	5/0/0	0/0/0	0/5/5
North Carolina	1/0/0	0/0/0	0/1/1
South Carolina	1/0/0	0/0/0	0/1/1
Tennessee	0/0/6	0/0/0	0/0/0
TOTAL	50/2/10	1/0/0	7/57/59⁽²⁾

- (1) The numbers listed for 2004 and 2005 are as of the fiscal year end of our predecessor and affiliate, Bernie's I, for 2004 (the twelve month period ended September 25, 2004) and 2005 (the twelve month period ended September 24, 2005). The 2006 numbers include information for both: (a) Bernie's I's 2006 fiscal year (the twelve month period ended September 30, 2006) and (b) for the three-month period between October 1, 2006 and our most recent fiscal year end, December 31, 2006.
- (2) In October 2006, Bernie's I closed 50 company-owned Stores, pursuant to a transfer of real estate to a third party. These 50 locations are no longer operated as BARNIE'S COFFEE AND TEA COMPANY® Stores.

PROJECTED NUMBER OF STORE FRANCHISES

**TO BE SOLD IN 2007
AS OF DECEMBER 31, 2006**

State	Franchise Agreements Signed but Store Not Open as of December 31, 2006	Projected Franchised New Stores Sold in 2007 ⁽¹⁾	Projected Company-Owned Openings in 2007
Alabama	0	2	0
California	0	15	0
Florida	6	20	1

State	Franchise Agreements Signed but Store Not Open as of December 31, 2006	Projected Franchised New Stores Sold in 2007 ⁽¹⁾	Projected Company-Owned Openings in 2007
Georgia	0	3	0
Illinois	0	1	0
Indiana	0	1	0
Maine	1	1	0
Michigan	0	1	0
N. Carolina	0	2	0
Ohio	0	1	0
S. Carolina	0	2	0
Tennessee	0	2	0
Texas	0	2	0
Virginia	0	2	0
TOTAL	7	55	1

- (1) The numbers listed in this column include projected Store franchises sold in connection with Area Development Agreements and sales by Regional Directors.

AREA DEVELOPMENT

As of the date of this Offering Circular, we have no Area Development franchisees. No Area Developer has had an agreement terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Area Development Agreement during: (a) Bernie's I's 2006 fiscal year (the twelve month period ended September 30, 2006) or (b) the three-month period between October 1, 2006 and our most recent fiscal year end, December 31, 2006. There are no Area Development franchisees that have not communicated with us within ten (10) weeks of the date of this Offering Circular.

REGIONAL DIRECTOR FRANCHISE STATUS SUMMARY FOR YEARS 2006/2005/2004(1)

STATE	TRANSFERS	CLOSED OR TERMINATED	NOT RENEWED	REACQUIRED BY COMPANY	LEFT THE SYSTEM OTHER	TOTAL FROM LEFT COLUMNS	REGIONAL DIRECTORS OPERATING AT END OF FISCAL YEAR
California							1/0/0
Florida							1/0/0
Nevada							1/0/0
TOTAL	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/0/0

- (1) The numbers listed for 2004 and 2005 are as of the fiscal year end of our predecessor and affiliate, Bernie's I, for 2004 (the twelve month period ended September 25, 2004) and 2005 (the twelve month period ended September 24, 2005). The 2006 numbers include information for both: (a) Bernie's I's 2006 fiscal year (the twelve month period ended September 30, 2006) and (b) for the three-month period between October 1, 2006 and our most recent fiscal year end, December 31, 2006.

Included in Exhibit E to this Offering Circular is a list of all Regional Director franchises as of December 31, 2006. No Regional Director has had an agreement terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Regional Director Agreement during: (a) Bernie's I's 2006 fiscal year (the twelve month period ended September 30, 2006) or (b) the three-month period between October 1, 2006 and our most recent fiscal year end, December 31, 2006. There are no Regional Director franchisees that have not communicated with us within ten (10) weeks of the date of this Offering Circular.

**PROJECTED NUMBER OF REGIONAL DIRECTORSHIPS
TO BE SOLD IN 2007
AS OF DECEMBER 31, 2006**

State	Regional Director Agreements Signed but Not Commenced Operations as of December 31, 2006	Projected Regional Director Agreement to be Signed in 2007
Arizona	0	1
Illinois	0	1
TOTAL	0	2

**ITEM 21
FINANCIAL STATEMENTS**

Attached to this Offering Circular as Exhibit A are the following financial statements: Audited financial statements of Bernie's Coffee & Tea Company, Inc. as of and for the 12-month period ended September 30, 2006, the 12-month period ended September 24, 2005, the 12-month period ended September 25, 2004, and the 12-month period ended September 27, 2003 together with an Independent Certified Public Accountants' Report. Also included in Exhibit A are an unaudited Consolidated Balance Sheet and an unaudited Statement of Operations for Bernie's Coffee & Tea Company, Inc. for the five month period ended February 28, 2007.

The financial statements included with this Offering Circular are the financial statements of Bernie's Coffee & Tea Company, Inc. ("Bernie's I"), our predecessor and affiliate. Separate financial statements for us, Bernie's Franchise Service, LLC, are not included in this Offering Circular. However, Bernie's I unconditionally guarantees to fulfill our obligations under the Franchise Agreement, Area Development Agreement, and Regional Director Agreement, in the event we fail to do so. In states where we have registered this franchise offering, a copy of the written guarantee may be on file in the office of the administrator of the state franchise law.

ITEM 22
CONTRACTS

Attached to this Offering Circular are the following Agreements:

<u>Exhibit</u>	<u>Agreement</u>
B	Franchise Agreement
C	Area Development Agreement
D	Regional Director Agreement

ITEM 23
RECEIPTS

Exhibit K to this Offering Circular are duplicate detachable Receipts by which you acknowledge receipt of this Offering Circular, including all Exhibits to this Offering Circular. Upon receiving this Offering Circular, you must date and sign a copy of the Receipt and return it to us.