



SPoT Coffee Comments on Reinstatement Review

TORONTO, Oct. 24, 2020 /CNW/ - **SPOT COFFEE (CANADA) LTD.** (TSX-V: SPP) ("**SPoT**" or the "**Company**") is pleased to provide an update regarding the reinstatement review that has been conducted by the TSX Venture Exchange following the revocation of the Cease Trade Order that was imposed by the Ontario Securities Commission on June 22, 2020 and subsequently revoked on July 31, 2020. During the course of the foregoing review, it was determined that additional commentary should be provided to the public with respect to a Provision that was recorded in the Company's audited annual financial statements as at and for the year ended December 31, 2019. As noted in said statements, the amount of \$1,746,615 was recorded as a "Provision on advances to related parties". Note 17 to such financials summarized certain items that were recorded as advances to related parties, consisting of "Advances to franchisees" in the amount of \$1,237,307 and "Advances to associate" in the amount of \$509,308. The Company wishes to provide the following additional commentary concerning these items:

- (a) Though recorded under the note regarding "related parties", these items represented amounts owing by franchisees and by a company with a common director and officer (being John Lorenzo, President, CEO and a director of the Company).
- (b) None of the amounts recorded as "Advances to franchisees" represented outflows of cash to such parties during the year ended December 31, 2019. These amounts primarily relate to services charged to franchisees by the Company over many years for royalty fees, advertising fees and management fees for providing management services to certain SPoT franchises, in addition to an inter-company construction loan to finance construction of the Williamsville café in 2009.
- (c) The amounts recorded as "Advance to associate" represent office sharing expenses (rent and other charges such as parking, phone, internet, etc.) between the Company and a company with a common director and officer (on the basis of a 60/40 sharing arrangement), in addition to back office support and administrative servicing management fees provided by SPoT and charged to the aforementioned company. It should be noted that no cash was advanced to such company during the year ended December 31, 2019.
- (d) Upon consultation with its auditors, the Company determined to record the "Provision on advances to related parties" on the basis that payments in respect of such accrued amounts had not been received from any of the aforementioned parties for quite some time.
- (e) Though the aforementioned items continued to be accrued in Q1 and Q2 of the current financial year, the Company has recently ceased recording any office sharing arrangements and expenses between the Company and the aforementioned company with a common director and officer. The Company has also endeavoured to decrease its overall administrative expenses in various manners, including the moving of its head office into a smaller overall space with in the same building that it previously occupied.
- (f) Though the Company hopes to be able to collect on some or all of the amounts described above, the likelihood of collection is uncertain at this time. Having regard to the COVID-19 global pandemic and its impact on the hospitality industry as a whole, management believes that the Company needs to be supportive of its franchisees during these difficult times and intends to continue to work together to support the long-term success of both these franchisees and the Company. Accordingly, the Company has not imposed a specific timeframe upon the franchisees for repayment of these previously accrued fees.

About SPoT Coffee

SPoT Coffee has been designing, building and operating company-owned and franchise community cafés in the northeastern United States for over 25 years. SPoT's cafés provide their customers with the highest quality service, signature made-to-order meals and award-winning micro-roasted coffee. Each SPoT café is distinctively designed to suit the local neighbourhood, creating a warm and friendly gathering place for the community. SPoT's commercial business focuses on the sale of roasted coffee beans to food service and grocery chains, business offices, and resellers such as universities and hospitals.

We seek Safe Harbor.

Forward Looking Statements

Except for statements of historical fact relating to the Company, certain information contained herein constitutes forward-looking statements. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or

achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information.

Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. The forward-looking information contained in this news release is expressly qualified by this cautionary statement. Except as required by applicable securities laws, the Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of the release.

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