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DEPARTMENT OF
BUSINESS OVERSIGHT
SAN FRANCISCO

BAD ASS COFFEE COMPANY OF HAWAII, INC

FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE DISCLOSURE DOCUMENT

BAD ASS COFFEE COMPANY OF HAWAII, INC
A Utah Corporation
155 West Malvern Avenue
Salt Lake City, Utah 84115
(801) 463-1966
www badasscoffee com
dan@badasscoffee com

As a franchisee, you will operate a retail coffee store known as Bad Ass Coffee of Hawaii® which will market a variety of coffee beverages, coffee beans, related food items, accessories, gifts and other related products to the general public We also offer a similar stand alone drive-through franchise and a food truck franchise option

The total investment necessary to begin operation of a standard Bad Ass Coffee of Hawaii® franchise is between $242,000-$483,000 This includes the $67,400 to $82,400 that must be paid to the franchisor or affiliate

The total investment necessary to begin operation of a stand alone drive-through Bad Ass Coffee of Hawaii® franchise is between $184,500-$249,000 This includes the $44,900 to $45,400 that must be paid to the franchisor or affiliate

The total investment necessary to begin operation of a food truck Bad Ass Coffee of Hawaii® franchise is between $148,000-$179,500 This includes the $40,900 to $41,400 that must be paid to the franchisor or affiliate

If you enter into an area developer agreement, there is an up front development fee of $5,000 per unit to be developed for either a standard or drive-through franchise To reserve a territory to be an area developer, the up-front fee is $2,000

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

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

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

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

Issuance Date April 5, 2017

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT

Call the state franchise administrator listed in **Exhibit "F"** for information about the franchisor, or about franchising in your state

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW

Please consider the following RISK FACTORS before you buy this franchise

1 THE FRANCHISE AGREEMENT STATES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION, ARBITRATION OR LITIGATION ONLY IN UTAH OUT-OF-STATE MEDIATION, ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES IT MAY ALSO COST YOU MORE TO MEDIATE, ARBITRATE OR LITIGATE WITH US IN UTAH THAN IN YOUR OWN STATE

2 THE FRANCHISE AGREEMENT STATES THAT UTAH LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW YOU MAY WANT TO COMPARE THESE LAWS

3 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise A franchise broker or referral source represents us, not you We pay this person a fee for selling our franchise or referring you to us You should be sure to do your own investigation of the franchise

Effective Date See the next page for state effective dates

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state or be exempt from registration California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates

California _____

Hawaii _____

Virginia _____

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FRANCHISE DISCLOSURE DOCUMENT

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

The Franchisor

The name of the franchisor is BAD ASS COFFEE COMPANY OF HAWAII, INC In this disclosure document, BAD ASS COFFEE COMPANY OF HAWAII, INC is referred to as "we" "our" or "us" or "BACH " "You" or "Your ' means the person who buys the franchise and includes the owners of a franchise that is a corporation, partnership or other entity If you are a corporation, partnership or other entity, your owners must sign an agreement that all provisions of our franchise agreement also will apply to your owners and they must personally guarantee and be personally bound by your obligations under the franchise agreement

Our principal place of business is 155 West Malvern Avenue, Salt Lake City, Utah 84115 Our website is www badasscoffee com Our company was incorporated in November 1997 in Utah Our fiscal year ends December 31st

Our agents for service of process are disclosed in Exhibit "E '

We were formed for the purpose of licensing and training others to operate Bad Ass Coffee of Hawaii® stores Our affiliate, Bad Ass Coffee Distributors, Inc ("BACD"), and other designated suppliers will supply you with our trademarked products and other items

We have been operating and licensing others to operate Bad Ass Coffee of Hawaii® stores since February 1998

Affiliates

BACD is an affiliate BACD was incorporated in Utah in December 1997 and is located at 155 West Malvern Avenue, Salt Lake City, Utah 84115 We have no other parent, predecessors, or affiliates required to be disclosed in this item

As of the date of this disclosure document, neither we nor our affiliate has offered for sale or sold franchises in any other line of business

Franchise Offered

There are three types of Bad Ass Coffee of Hawaii® franchises A standard Bad Ass Coffee of Hawaii® store franchise, a smaller Bad Ass Coffee of Hawaii® drive-through franchise, and a food truck franchise The franchise agreements for the different types of franchises are the same except for certain initial fees (See Item 5) Each franchise authorizes you to use the Bad Ass Coffee of Hawaii® system, with some limited menu items for the food truck franchises The Bad Ass Coffee of Hawaii® system refers to the entire Bad Ass Coffee of Hawaii® concept including, without limitation, the marketing, preparation, merchandising and sale of gourmet coffee items

and other products and services under the name Bad Ass Coffee of Hawaii® and other proprietary marks Our system also includes, among other things a store layout, interior decor, business format, specific trademarks, trade dress, manuals, recipes, and other confidential business information, operating procedures, marketing concepts, and specifications for, and designation of, certain equipment, supplies and inventory

As a BACH franchisee, you will have the opportunity to use the Bad Ass Coffee of Hawaii® system at a specific location You will be required to purchase specialized equipment and supplies, coffee, clothing, mugs, t-shirts and other accessory items from our affiliate, BACD, or other designated supplies These items may be produced by third party suppliers pursuant to private label agreements BACD was established to distribute trademarked products to franchisees You will be required to purchase all trademarked products from BACD or designated suppliers You will also be required to strictly follow our methods, recipes, policies and procedures

Unless otherwise noted, the terms of all offers are the same

You may also enter into an area developer agreement with us for the development of additional franchise units in a territory The size of the territory, the number of units to be developed and the development schedule are negotiable between you and us

We do not do business under any names other than Bad Ass Coffee Company of Hawaii, Inc , Bad Ass Coffee of Hawaii® and The Bad Ass Coffee Co ® Neither we nor our affiliates operate a business of the type you will operate business is similar to the one you will operate

General Description of Market and Competition

The general market for gourmet coffee shops is well-developed, and you will be required to compete for potential customers in your territory No studies or surveys have been done to determine a need for our stores or services within your territory You will typically compete with other established coffee shops There are many of these competitors from large national coffee shop chains to small independent operators

Laws and Regulations

In addition to laws and regulations that apply to businesses generally, your franchise business is subject to federal, state, and local regulations and guidelines governing the food service industry The Food and Drug administration, the United States Department of Agriculture and food industry organizations, including the National Restaurants Association, have established rules affecting the restaurant industry You must comply with federal, state, and local health and consumer protection laws and regulations concerning food preparation, food handling (you may be required to obtain a food handler's permit (Serve Safe)), food storage, "truth in menu" laws concerning menu item names and product labeling, nutritional claims, and local labor regulations, including minimum age and minimum wage laws You may also be subject to the rules established by the Federal Trade Commission, along with regulations enacted by certain state agencies

You must investigate local zoning rules because they may limit where you can locate your franchise business and may affect the design features including the building façade and signs You should be aware of federal, state, and local environmental laws about the disposal of waste materials and packaging The details of state, county and local laws and regulations vary from place to place You must research these matters Please be aware that the changes in these laws may increase the cost to operate your business You are solely responsible to determine what local or state regulations, permits and licenses you will need to comply with and/or obtain to conduct the franchise business in a particular state, city or town

ITEM 2
BUSINESS EXPERIENCE

DAN RONNOW, President and Director

Mr Ronnow is our President and Director in Salt Lake City, Utah since June 2013 Mr Ronnow is also the current President for our affiliate, Bad Ass Coffee Distributors, Inc located in Salt Lake City, Utah He has been with Bad Ass Coffee Distributors, Inc since its inception in 1997

CONNIE ALEXAKOS, Vice President

Ms Alexakos is our Vice President in Salt Lake City, Utah She has been with us since our inception, previously working as our Area Supervisor in Hawaii

STEVE MEEKER, Vice President of Operations

Mr Meeker is our Vice President of Operations in Salt Lake City, Utah He has been with us since June of 2003

ITEM 3
LITIGATION

Naughty Donkey Enterprises, LLC ET AL (Plaintiff) v Bad Ass Coffee Company of Hawaii, Inc (Defendants), 63-CV-2009-900403, filed June 29, 2009 by a former area developer, in the Circuit Court of Tuscaloosa County, Alabama The litigation was filed for payments on a promissory note Bad Ass Coffee made to the plaintiff pursuant to a mutual termination of the plaintiff's area development agreement Bad Ass Coffee filed a Motion to Stay and Compel Arbitration which was denied Bad Ass Coffee filed a counterclaim Naughty Donkey sought Summary Judgment for damages, costs, and attorney's fees totaling $162,066 27 The court granted summary judgment and this amount was awarded by the circuit court and affirmed by the supreme court on August 16, 2013 However, the judgment has not yet been domesticated in the State of Utah

Bad Ass Coffee Company of Hawaii, Inc (Plaintiff) v Royal Aloha International, LLC (Defendant), (Third Judicial District Court, Salt Lake County, Utah, Civil No 130906130 Initial

filing date September 13, 2013) Defendants claim to have a license agreement which purports to give Defendant worldwide rights to all our franchises and related franchise rights except in the US, Malaysia, and Japan We have alleged fraud in relation to the license agreement The trial court dismissed the action without prejudice to be filed in the Federal District Court for the Southern District of Georgia The Utah Court of Appeals overturned the trial court ruling dismissing Plaintiff's claims based on a forum selection clause We have filed a Motion for Summary Judgement on Defendant's counterclaims as of April 6, 2017 This case is still pending

Royal Aloha International, LLC et al (Plaintiffs) v Bad Ass Coffee Company of Hawaii, Inc (Defendant), (Superior Court of Fulton County, Georgia, Civil Action No 2015-CV-266141 Initial filing date September 24, 2015) Plaintiffs claimed that Defendant has breached a contract by refusing to honor a purported License Agreement that would grant all of Defendant's international franchise rights (except Japan and Malaysia) to Plaintiffs We filed a Motion to Dismiss for Lack of In Personam Jurisdiction and to Stay Proceedings pending the outcome of proceedings which Defendant has filed in Utah to have the License Agreement and Operating Agreement declared void or unenforceable in the matter of Bad Ass Coffee Company of Hawaii, Inc v Royal Aloha International, LLC et al , Civil No 130906130 (see above) This case has been dismissed

Other than the above, no litigation is required to be disclosed in this item

ITEM 4
BANKRUPTCY

No bankruptcies are required to be disclosed in this item

ITEM 5
INITIAL FEES

All standard franchisees pay an initial lump sum franchise fee of $35,000 payable when you sign to the franchise agreement In addition, you will be required to purchase your initial inventory of Bad Ass Coffee of Hawaii® coffee, related goods and supplies from us or our affiliate at a cost of between $5,000 and $10,000 The range in cost depends upon the size and location of your store, as well as estimated initial business volume Each standard franchisee pays approximately $2,400 to our affiliate BACD for the Bunn Grinder and 2 Bunn Brewers Standard franchisees must also purchase an interior decor package, from us or our affiliate for $20,000 - $30,000 Each franchise must pay $5,000 to us for our standard opening marketing package payable upon execution of the franchise agreement (See note 8 to Item 7) These costs and fees will be incurred before opening the store and are uniform for all franchisees as described above

All stand alone drive-through and food truck franchisees pay an initial lump sum franchise fee of $35,000 payable when you sign the franchise agreement In addition, you will be required to purchase your initial inventory of Bad Ass Coffee of Hawaii® coffee, related goods and supplies from us or our affiliate at a cost of between $2,500 and $3,000 The range in cost depends upon the size and location of your stand alone drive-through store or your food truck, as well as estimated initial business volume Each stand alone drive-through or food truck franchisee pays

approximately $2,400 to our affiliate, BACD for the Bunn Grinder and 2 Bunn Brewers Each stand alone drive-through franchise must pay $5,000 to us for our standard opening marketing package, payable upon execution of the franchise agreement Each food truck franchise must pay $1,000 to us for our standard opening marketing package, payable upon execution of the franchise agreement (See note 8 to Item 7) These costs and fees will be incurred in the few weeks before opening the store and are uniform for all franchisees as described above

If you enter into an area development agreement (Exhibit "H") for any type of franchise there is an up front development fee of $5,000 per unit to be developed in addition to the initial franchise fee for each unit of $35,000 You must sign our then-current franchise agreement as each unit is developed

In addition, you may sign a deposit agreement (Exhibit "I") to reserve a development area for up to 20 days The deposit fee is $2,000 and is in addition to the area development fee

We have a discount program for veterans If you qualify, the initial franchise fee of $35,000 is reduced by 50% to be $17,500 This does not apply to any other fees

We also offer a discount if you buy a franchise to be the first franchise in a state neither we nor any other franchisees are currently operating a franchise The discount is a reduction of the initial franchise fee by $10,000 This does not apply if you are receiving any other discounts of the initial franchise fee

Except as noted above, the costs and fees are uniform for all franchisees and are not refundable

ITEM 6
OTHER FEES

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty[1 2 6]	6% of gross weekly sales	Payable weekly by Friday of the following week (sales week runs Monday through Sunday)	Gross sales include all revenue from the franchise location, but exclude sales tax or bona fide credits
Marketing Fee[1 2 6]	2% of gross weekly sales payable to us	Payable weekly by Friday of the following week (sales week runs Monday through Sunday)	The marketing fee may be used by us for national or regional marketing and brand development, as we choose

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Marketing Cooperative	1% of gross sales payable to the co-op, if established by us	Payable weekly by Friday of the following week (sales week runs Monday through Sunday)	If we form a local marketing co-op in your area, any marketing expenditures you make through the co-op up to 1% of gross monthly sales is credited against your local obligation Company owned franchises, if any, must participate in the co-op if formed but do not control voting
Local Marketing Requirement	1% of gross sales	Payable Monthly	You will spend at least this amount every month to market your franchise business locally We may increase the required local marketing amount This amount is paid directly to the vendors and other suppliers of your local marketing We may require you to contribute all or a portion of your local marketing to a regional cooperative
Training[3 4 5]	No fee	Not Applicable	You must pay your own travel, lodging and food expenses while attending training - See Item 11
Opening Assistance[4]	No fee	Not Applicable	We provide 5 days training at your opening
Additional Assistance or Training[3 4 5]	Our then-current fee for additional training Currently $500 per representative per day, plus travel, food, lodging, and other expenses (if at your location)	In Advance	We provide additional assistance or training at your location or at our location at your reasonable request or if required by us This includes any required manager training after the initial training - See Item 11

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Other Assistance	No additional fee	Not Applicable	By telephone, e-mail and manuals as may be reasonably requested
Transfer[1 3]	$2,500 plus our costs	At time of approved transfer	Payable when you sell your franchise and prior to our signing any approval or new agreement No charge if franchise transferred to an entity that you own and control
Late Charges[2]	$25 per day up to $250 plus 18% interest	Payable with royalty or report on demand	Charges and interest accrue after the due date of any report, or any royalty, fee or other required payment
Successor Franchise Fee[1 3]	$2,500	Prior to your entering into a successor franchise agreement	Payable prior to your entering into a successor franchise agreement if you elect to continue after the initial term
Fees on Default and Indemnity[3]	Attorney's fees, costs, interest and audit costs	On demand, as incurred	Paid in addition to other payments to us
Audit Charge	Cost of audit	On billing	If understatement of 2% or more of gross sales or records are unavailable
Operation of your franchise business in case of your unapproved absence, incapacity or death, Interim Management Fee[3]	Our then-current fee, currently the fee is $500 per day, per representative, or our then-current rate, plus food, travel and lodging for our representative(s) and other expenses which may be incurred by us to perform such services (estimated at $100 per day)	Time of service	If we elect to operate your business during your unapproved closing, unapproved absence, incapacity or death, or due to your failure to follow the system We can adjust this fee at any time

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Testing Fee	Reasonable expense at cost but not less than $500	In advance of testing	Payable if you want to have unapproved suppliers, equipment, or products tested for our approval See Item 8
Deposit Fees[1]			
Franchise Agreement	$1,000	When signed	This fee is applied against the initial franchise fee
Area developer Agreements	$2,000	When signed	The fee is in addition to the franchise fee and is not refundable
Transfer Training Fee	$5,000 plus travel, food and lodging for 5 days	At time of approved transfer	Payable when you sell your franchise No charge if your franchise is transferred to a corporation which you control
System non-compliance fines and charges	Amount to be specified in the operations manual Currently ranges between $50 to $100	On demand, as incurred	For certain defaults in your compliance with our operations manual Payable upon demand if you fail to correct deficiencies discovered in review of your business Paid in addition to other payments to us
Consumer Complaint Resolution Fee	$20 to $50 per incident or the current fee plus any costs e incur	When we receive customer complaint	You must reimburse for any of our costs to respond to and compensate complaints from your customers

NOTES

[1] Royalties and Fees Except as shown in the remarks column, all fees are imposed and payable to us, however, these fees will be shared between us All fees are non-refundable If a sales tax or similar tax is assessed on the royalties or marketing fees, you will pay us or the taxing authority the amount of such tax We have the right to require you to establish a bank sweep, daft, or other similar type of fund transfer ("EFT") account in which you must deposit gross sales

If you sign a deposit agreement for this franchise, the deposit fee is $1,000 and will be credited against the initial franchise fee if you purchase the franchise The $2,000 deposit fee for

Area developer Agreement is in addition to the Area Development Fee Except as noted above, these costs and fees are uniform for all franchisees and are not refundable

[2] Late Charges You will be charged our then-current fees and charges for late payments and late reports (currently $25 per day for every day a required payment is not timely received by us, and $25 per day for every day a required report is not timely received by us, up to $250 per late fee) Additionally, you will be charged interest at 18% per annum or the maximum rate permitted under the state law (whichever is less) on the outstanding balance, calculated from the due date until paid in full

[3] Indemnity You must indemnify us from and against any and all claims or damages in connection with your conduct, your operation of Bad Ass Coffee of Hawaii® franchise, sales of food products or beverage items or omissions

[4] On-Site Assistance We also provide on-site assistance at your reasonable request for $500 per day plus the cost of travel, food and lodging for our representative

[5] Opening Training We will schedule your opening training not more than 2 weeks after we receive notice you have an occupancy permit for your store from the local government authorities

[6] Reports You must submit to us a gross weekly sales report, which will include all revenue, derived from your franchise business during the prior week We reserve the right to require you to submit to us a copy of your quarterly state and local sales tax reports and monthly profit and loss statements and balance sheet for your franchise If requested, we must receive these reports by the 15th of the following month

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT
STANDARD FRANCHISE STORE
(with or without a drive-through window)

	Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
1	Initial Franchise Fee	$35,000 (Notes 1)	Lump Sum	At signing	BACH
2	Travel & Living Expenses While Training	$5,000 (three people) (Note 2)	As Incurred	During Training	Airlines, Hotels & Restaurants
3	Real Estate & Improvements	$95,000-$300,000 (Note 3)	As Incurred	As Incurred	BACH or affiliate and Vendors

	Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
4	Equipment	$50,000 - $69,500 (Note 4)	As Incurred or Leased	Before Opening	BACD and Vendors
5	Signs	$7,000 - $14,000 (Note 5)	As Incurred or Leased	Before Opening	Suppliers
6	Misc Opening Costs	$2,000 - $4,000 (Note 6)	As Incurred	As Incurred	Suppliers, Utilities, Etc
7	Opening Inventory	$5,000 - $10,000 (Note 7)	As Incurred	Before Opening	BACH or affiliate and Suppliers
8	Marketing- 3 Months	$8,000 - $11,000 (Note 8)	Lump Sum	Before Opening	BACH and Suppliers
9	Additional Funds - 3 months	$35,000 (Note 9)	As Incurred	As Incurred	Suppliers, Accountants, Employees, Etc
	TOTAL*	$242,000 - $483,500 (Note 10)	*excluding the lease or purchase of real property and royalty and marketing fees		

NOTES

[1] Franchise Fee The initial franchise fee is $35,000 and is paid at the time you sign your franchise agreement It is not refundable We do not finance any portion of this fee If you enter into an area developer agreement, there is an initial fee of $5,000 per unit to be developed in addition to the $35,000 initial franchise fee for each unit We do not finance any portion of this fee (See Item 5) If you sign a deposit agreement for this franchise, the deposit fee is $1,000 Except as noted above, these costs and fees are uniform for all standard franchisees and are not refundable

[2] Training You are responsible to pay all travel, living, and other associated expenses for yourself and your employees during training, directly to the supplier (hotels, airlines, restaurants, rental car companies, etc)

[3] Real Estate You must purchase or lease a suitable location for your Bad Ass Coffee of Hawaii® store and you must employ a local real estate agent to assist you in the selection of the site for your store We must approve your location Costs of commercial property or leases and improvements vary widely based on location, as well as construction and material costs if you choose to convert an existing facility or build out a brand new one Your landlord may provide you with a tenant improvement allowance as part of your lease We have not included an amount for the lease or purchase of real property because it is impossible to estimate and varies widely per location You should review these costs with a local contractor, commercial real estate agent and other professionals Your space will vary depending on your needs, but we have estimated these

numbers based on 1,500 square feet If you choose to lease a larger space, your costs may increase Additionally, the higher estimates take into account having a drive-through window for your standard franchise

Your landlord must provide you with a shell space that complies with our standard vanilla shell specifications Your improvements may include plumbing, electrical, finished sheet rock and framing, paint and wall coverings, drop ceiling, HVAC, tile, carpet, bathrooms and flooring all of which must be approved by us The following items also must meet our design standards and specifications decor, signs, tables, chairs, display fixtures, lighting, counters, window coverings, color scheme and customer service counters You must follow our interior design specifications You must purchase an interior design package from us which includes 1) consultation and or review of floor plan/evaluation/research/influence, 2) developing the vision and design for the interior of the store, 3) placing the design in written form, 4) create and submit outline to the architect for any ancillary electrical or plumbing that derives through the design process, 5) order and ship the materials and elements required for design completion, and 6) may require a project manager to supervise the coordination and construction of the interior design to completion The cost of the interior package includes the following expenses design elements (palm trees, neon, surfboards, print, etc) labor, housing, and travel The costs of these services are for our standard 1,500 square foot space is generally $50,000 and may be adjusted for shipping costs For stores with more or less space, this price must be negotiated The fee is payable 50% upon execution of the lease 60 days prior to landlord delivering space to franchisee, 50% upon completion of the drawings and design in written form This interior package does not include 1) cabinets and counter tops, 2) floor staining on floor material 3) sound system, 4) electrical contracting, 5) plumbing contracting, light fixtures, paint, and corrugated metals, 6) permanent construction contractor cost, and 7) disposal of trash or any construction debris

[4] Equipment and Computer System You will be required to purchase an espresso machine, a refrigerator, blender, icemaker, water filter, Bunn equipment, microwave, cash register(s), beverage dispensers, small wares, etc You must purchase the Bunn equipment from our affiliate, BACD (See Item 5) All purchase agreements or leases must be negotiated with suppliers For any items purchased from us or our affiliate, we require immediate payment and it is non-refundable We will have independent access to any information or reports generated by you on the computer system We require you maintain this information for us

[5] Signs At least two signs are required one exterior sign displaying Bad Ass Coffee of Hawaii® trademark and one interior sign These signs may be made locally All signs must conform to our specifications All purchase agreements or leases must be negotiated with suppliers You must use the location's monument sign if available

[6] Miscellaneous Opening Costs These miscellaneous costs include utility costs, business entity organization expenses, deposits and insurance If there is more than one franchisee a legal entity must be formed to act as franchisee and each owner must guaranty the franchise agreement You must obtain comprehensive general liability insurance, commercial automobile liability insurances, insurance for your employees and other insurances we specify in the franchise agreement and the policies and procedures manual

[7] Opening Inventory In addition to your initial franchise fee, you must purchase from us, our affiliate or approved suppliers certain opening inventory items like coffee beans, syrups, dairy products, cups and lids, accessories, merchandise and gifts, etc For any items purchased from us or our affiliates we require immediate payment and it is non-refundable In addition, you will be required to purchase your initial inventory of Bad Ass Coffee of Hawaii® coffee and related goods and supplies from us or our affiliate The range in cost depends upon the size and location of your store, as well as estimated initial business volume

[8] Marketing We have a standard opening marketing package which you must purchase from us for $5,000 which is payable upon execution of the franchise agreement (Item 8) In addition, this estimates the costs of promotional materials used for in-store marketing like placards, posters, brochures, etc , as well as the expense involved for a grand opening promotion and associated marketing Marketing is essential to the successful operation of your franchise business You must also have a website The website must be designed by our approved supplier in accordance with our specifications, at an estimated cost of $3,000 We will obtain your URL and you will be required to pay the cost All social media must be in accordance with our standards as described in our operations manual We will obtain a Facebook site for your store and set up the original Facebook page Our approval of your website and social media sites may be revoked by us at any time

[9] Additional Expenses This estimates other initial start-up expenses that you may incur You also need to budget for salaries and labor Employee compensation is between you and your employee and may vary widely Therefore, this compensation cannot be accurately estimated In addition, you need to include an amount payable to you

[10] Total These figures are estimates for the development of one franchise unit and we cannot guarantee that you will not have additional expenses starting your franchise business Your costs will depend on factors such as how well you follow our method and procedures, your management skill, experience and business acumen, local economic conditions, the local market for our services, the prevailing wage rate, competition, and the sales level reached during the initial period You should review these figures carefully with a business advisor before making any decision to purchase the franchise We do not offer direct or indirect financing for any item

YOUR ESTIMATED INITIAL INVESTMENT
STAND ALONE DRIVE-THROUGH FRANCHISE STORE

	Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
1	Initial Franchise Fee	$35,000 (Note 1)	Lump Sum	At signing	BACH
2	Travel & Living Expenses While Training	$5,000 (three persons) (Note 2)	As Incurred	During Training	Airlines, Hotels & Restaurants

	Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
3	Real Estate/Site Improvements	$20,000 - $60,000 (Note 3)	As Incurred	As Incurred	Vendors & Contractors
4	Prefab Drive Through	$60,000 (Note 3)	As Incurred	As Incurred	Suppliers
5	Equipment	$35,000 - $50,000 (Note 4)	As Incurred or Leased	Before Opening	BACD and Vendors
6	Signs	$4,000 - $8,000 (Note 5)	As Incurred or Leased	Before Opening	Suppliers
7	Misc Opening Costs	$2,000 - $4,000 (Note 6)	As Incurred	As Incurred	Suppliers, Utilities, Etc
8	Opening Inventory	$2,500 - $3,000 (Note 7)	As Incurred	Before Opening	BACH or affiliate and Suppliers
9	Marketing - 3 Months	$8,000-$11,000 (Note 8)	As Incurred	As Incurred	BACH or affiliate and Suppliers
10	Additional Funds - 3 months	$13,000 (Note 9)	As Incurred	As Incurred	Suppliers, Accountants, Employees, Etc
	TOTAL*	$184,500 -$249,000 (Note 10)	*excluding the lease or purchase of real property and royalty and marketing fees		

NOTES

[1] Franchise Fee The initial franchise fee for drive-through franchises is $35,000 and is paid at the time you sign the franchise agreement We do not finance any portion of this fee (See Item 5) If you enter into an area developer agreement, there is an initial fee of $5,000 per unit to be developed and the initial fee for all drive through units is $35,000 If you sign a deposit agreement for this franchise, the deposit fee is $1,000 Except as noted above, these costs and fees are uniform for all drive-through franchisees and are not refundable

[2] Training You are responsible to pay all travel, living, and other associated training expense for yourself and your employees, directly to the supplier (hotels, airlines, restaurants, rental car companies, etc) during training

[3] Real Estate You must purchase or lease a suitable location for Bad Ass Coffee of Hawaii® store and you must employ a local real estate agent to assist you in the selection of the site for your store We must approve your location Costs of commercial property or leases and improvements vary widely based on location At your option, you may purchase a prefabricated building at an approximate cost of $60,000 Otherwise, we have not included an amount for the lease or purchase of real property because it is impossible to estimate and varies widely per

location You should review these costs with a local contractor, commercial real estate agent and other professionals Your space will vary depending on your needs and the requirements of any city or county where you are located, but we estimate you will need between 130 to 160 square feet We do not provide standard plans and specifications for construction of improvements, however, you must follow our decor specifications Your site improvements may include plumbing, electrical, sheet rock and framing, paint and wall coverings, drop ceiling, HVAC, tile, carpet, decor, table and chairs, signs, counters, window coverings, etc , all of which must be approved by us The following items must meet our design standards and specifications signs, tables, chairs, display fixtures, lighting, color scheme and customer service counters

[4] Equipment and Computer System You will also be required to purchase an espresso machine, a refrigerator, blender, icemaker, water filter, Bunn equipment, microwave, cash register(s), beverage dispensers, small wares, etc You must purchase the Bunn equipment from our affiliate, BACD (See Item 5) All purchase agreements or leases must be negotiated with suppliers For any items purchased from us or our affiliate, we require immediate payment and it is non-refundable We will have independent access to any information or reports generated by you on the computer system We require you maintain this information for us

[5] Signs At least two signs are required one exterior sign displaying Bad Ass Coffee of Hawaii® trademark and one interior sign These signs may be made locally All signs must conform to our specifications All purchase agreements or leases must be negotiated with suppliers You must use the location's monument sign if available

[6] Miscellaneous Costs These miscellaneous costs include utility costs, business entity organization expenses, deposits and insurance

[7] Opening Inventory In addition to your initial franchise fee, you must purchase from us, our affiliate or approved suppliers certain opening inventory items like coffee beans, syrups, dairy products, cups and lids, accessories, merchandise and gifts, etc For any items purchased from us or our affiliates, we will require immediate payment and it is non-refundable In addition, you will be required to purchase your initial inventory of Bad Ass Coffee of Hawaii® coffee and related goods and supplies from us, our affiliate or other suppliers The range in cost depends upon the size and location of your store, as well as estimated initial business volume

[8] Marketing We have a standard opening marketing package which you must purchase from us for $5,000 which is payable upon execution of the franchise agreement (Item 8) In addition, this estimates the costs of promotional materials used for in-store marketing like placards, posters, brochures, etc , as well as the expense involved for a grand opening promotion and associated marketing Marketing is essential to the successful operation of your franchise business You must also have a website The website must be designed by our approved supplier in accordance with our specifications, at an estimated cost of $3,000 We will obtain your URL and you will be required to pay the cost All social media must be in accordance with our standards as described in our operations manual We will obtain a Facebook site for your store and set up the original Facebook page Our approval of your website and social media sites may be revoked by us at any time

[9] Additional Expenses This estimates other initial start-up expenses that you may incur You also need to budget for salaries and labor Employee compensation is between you and your employee and may vary widely Therefore, this compensation cannot be accurately estimated In addition, you need to include an amount payable to you

[10] Total These figures are estimates for the development of one franchise unit and we cannot guarantee that you will not have additional expenses starting your franchise business Your costs will depend on factors such as how well you follow our method and procedures, your management skill, experience and business acumen, local economic conditions, the local market for our services, the prevailing wage rate, competition, and the sales level reached during the initial period You should review these figures carefully with a business advisor before making any decision to purchase the franchise We do not offer direct or indirect financing for any item

YOUR ESTIMATED INITIAL INVESTMENT
FOOD TRUCK FRANCHISE

	Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
1	Initial Franchise Fee	$35,000 (Note 1)	Lump Sum	At signing	BACH
2	Travel & Living Expenses While Training	$5,000 (three persons) (Note 2)	As Incurred	During Training	Airlines, Hotels & Restaurants
3	Real Estate/Site Improvements	N/A (Note 3)	As Incurred	As Incurred	Vendors & Contractors
4	Food Truck Construction	$60,000 - $80,000 (Note 3)	As Incurred	As Incurred	Suppliers
5	Equipment	$25,000 - $30,000 (Note 4)	As Incurred or Leased	Before Opening	BACD and Vendors
6	Signs	$1,500 - $2,500 (Note 5)	As Incurred or Leased	Before Opening	Suppliers
7	Misc Opening Costs	$2,000 - $4,000 (Note 6)	As Incurred	As Incurred	Suppliers, Utilities, Etc
8	Opening Inventory	$2,500 - $3,000 (Note 7)	As Incurred	Before Opening	BACH or affiliate and Suppliers
9	Marketing - 3 Months	$4,000 - $7,000 (Note 8)	As Incurred	As Incurred	BACH or affiliate and Suppliers
10	Additional Funds - 3 months	$13,000 (Note 9)	As Incurred	As Incurred	Suppliers, Accountants, Employees, Etc

	Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
	TOTAL*	$148,000 - $179,500 (Note 10)	*excluding the lease or purchase of real property and royalty and marketing fees		

NOTES

[1] Franchise Fee The initial franchise fee for a food truck franchise is $35,000 and is paid at the time you sign the franchise agreement We do not finance any portion of this fee (See Item 5) If you enter into an area developer agreement, there is an initial fee of $5,000 per unit to be developed and the initial fee for all drive through units is $35,000 If you sign a deposit agreement for this franchise, the deposit fee is $1,000 Except as noted above, these costs and fees are uniform for all drive-through franchisees and are not refundable

[2] Training You are responsible to pay all travel, living, and other associated training expense for yourself and your employees, directly to the supplier (hotels, airlines, restaurants, rental car companies, etc) during training

[3] Real Estate You do not need to purchase or lease a suitable location for Bad Ass Coffee of Hawaii® food truck, but depending on your state or local laws, you may be required to have a commissary to park your truck when not in use You should hire an attorney to help you determine the requirements for ownership of a food truck in your area At your option, you may purchase a pre-fabricated truck or you may choose to have a truck converted to the requirements of a food truck We estimate this to cost between $60,000 - $80,000 We have not included an amount for the lease or purchase of real property because it is impossible to estimate and varies widely per location You should review these costs with a local contractor, commercial real estate agent and other professionals We do not provide standard plans and specifications for construction of your truck, however, you must follow our specifications

[4] Equipment and Computer System You will also be required to purchase an espresso machine, a refrigerator, blender, icemaker, water filter, Bunn equipment, microwave, cash register(s), beverage dispensers, small wares, etc You must purchase the Bunn equipment from our affiliate, BACD (See Item 5) All purchase agreements or leases must be negotiated with suppliers For any items purchased from us or our affiliate, we require immediate payment and it is non-refundable We will have independent access to any information or reports generated by you on the computer system We require you maintain this information for us

[5] Signs Signs and/or truck wraps may be made locally All signs must conform to our specifications All purchase agreements or leases must be negotiated with suppliers

[6] Miscellaneous Costs These miscellaneous costs include utility costs, business entity organization expenses, deposits and insurance

[7] Opening Inventory In addition to your initial franchise fee, you must purchase from us, our affiliate or approved suppliers certain opening inventory items like coffee beans, syrups, dairy products, cups and lids, accessories, merchandise and gifts, etc For any items purchased from us or our affiliates, we will require immediate payment and it is non-refundable In addition, you will be required to purchase your initial inventory of Bad Ass Coffee of Hawaii® coffee and related goods and supplies from us, our affiliate or other suppliers The range in cost depends upon the size and location of your store, as well as estimated initial business volume

[8] Marketing We have a standard opening marketing package which you must purchase from us for $1,000 which is payable upon execution of the franchise agreement (Item 8) In addition, this estimates the costs of promotional materials used for in-store marketing like placards, posters, brochures, etc , as well as the expense involved for a grand opening promotion and associated marketing Marketing is essential to the successful operation of your franchise business You must also have a website The website must be designed by our approved supplier in accordance with our specifications, at an estimated cost of $3,000 We will obtain your URL and you will be required to pay the cost All social media must be in accordance with our standards as described in our operations manual We will obtain a Facebook site for your store and set up the original Facebook page Our approval of your website and social media sites may be revoked by us at any time

[9] Additional Expenses This estimates other initial start-up expenses that you may incur You also need to budget for salaries and labor Employee compensation is between you and your employee and may vary widely Therefore, this compensation cannot be accurately estimated In addition, you need to include an amount payable to you

[10] Total These figures are estimates for the development of one franchise unit and we cannot guarantee that you will not have additional expenses starting your franchise business Your costs will depend on factors such as how well you follow our method and procedures, your management skill, experience and business acumen, local economic conditions, the local market for our services, the prevailing wage rate, competition, and the sales level reached during the initial period You should review these figures carefully with a business advisor before making any decision to purchase the franchise We do not offer direct or indirect financing for any item

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase the following products and services from us or other sources designated or approved by us

BAD ASS COFFEE OF HAWAII® Coffee
BAD ASS COFFEE OF HAWAII® logo items
BAD ASS COFFEE OF HAWAII® T-shirts, hats, etc

Menu boards
Website Design
Interior Decor Package
Bunn Equipment

In addition, we may require the liability insurance for your store to be purchased from a designated source You are required to purchase equipment, interior decor items, furniture, fixtures, wall coverings, electronic equipment, signs and website design from us or from other designated suppliers (See Item 7) The following items must meet our design standards and specifications signs, tables, chairs, display fixtures, lighting, color scheme and customer service counters You are required to follow our interior design specifications We also reserve the right to require that all items bearing our trademark or private label be purchased from us or other sources designated or approved by us Occasionally you will be required to buy special promotional items like marketing material, related products, cups, shirts, hats, or chocolates from us or from vendors we name in connection with a promotional program or marketing strategy

Further, you must purchase our opening marketing package which is made for your marketing area and includes a mix of television, direct mail, coupons, newspaper, radio and gift packages (Item 7, Note 8) We do not keep any portion of the $5,000 opening marketing package fee

In addition, we may enter into contracts with other suppliers for food, beverage and paper good items that may include more favorable price terms for you When and if arrangements and contracts exist, you will be required to purchase food, beverage and supply items from designated or approved suppliers

At this time, there are no purchasing or distribution cooperatives We do currently negotiate purchase arrangements with suppliers, including price, terms for the benefit of franchisees However, we do not provide material benefits to franchisees based on the franchisee s purchase of particular products or services or use of particular suppliers

We or our affiliate Bad Ass Coffee Distributors, Inc (' BACD ') may derive revenue from the sale of goods and supplies sold directly by us to you In the year ending December 31, 2015, we had total revenues of $447,350 and received $0 or 0% of our revenues from required purchases of our franchisees Our affiliate, BACD, received revenues from the sale of products, supplies, or other items to franchisees was $596,000 None of our officers or directors has an ownership interest in any of our suppliers We estimate that the purchase of products from designated or approved sources will represent approximately 65% to 80% of your overall purchases in opening your franchise business and 65% to 80% of your overall purchases in operating your franchise business

The franchise agreement requires that all equipment, supplies, and other products required for the operation of Bad Ass Coffee of Hawaii® store and all other items sold by you must be purchased solely from approved suppliers which meet our specifications Our affiliate, BACD, is the only approved supplier for the Bunn equipment It is also an approved supplier for the Bad Ass Coffee® products, but is not the only approved supplier of these products We, or an affiliate, are currently the only approved supplier of the interior decor package for standard franchises

Specifications are provided to you before you begin operations and during operations by the written training materials, written amendments, operating agreements, and other written notice, including email We will use our best judgment in setting and modifying specifications to maintain quality and integrity of the franchise system

Non-Approved Suppliers

Except for certain trademark and private label items and designated source items described, if you desire to use a particular supplier and if that supplier meets the specifications and requirements of Bad Ass Coffee of Hawaii® system, at our discretion, we may approve the supplier to become an approved supplier All approved suppliers are made available to you before you begin operations We consider the specifications for preparation and service of our food and beverage items to be of critical importance to the success of the system As to all these matters, you must deal only with suppliers approved by us

You may establish suppliers on the approved list by making appropriate application to us The following general criteria is used in considering whether a supplier will be designated as an approved source the ability of the supplier to make the product to our standards and specifications, a willingness by the supplier to cooperate and work with you and other franchisees, the supplier's production and delivery capabilities and the financial condition of the supplier, the ability and willingness of the supplier to train you and us on the effective and safe use of the product We expect that the espresso machines will be available from only one designated supplier due to the high cost of testing other suppliers and of training and monitoring franchisees who use other espresso machine suppliers

If you desire to purchase any items from an unapproved supplier, you will submit to us a written request for approval or request the supplier itself to do so We may require you to submit sufficient information and data to permit us to ascertain whether any of these items meet our specifications Prior to testing, reviewing and approval, you may be required to pay a testing and reviewing fee covering our reasonable expenses and costs of testing The testing fees are not refundable whether or not we approve of a supplier, item, or product We will notify you in writing and within a reasonable time (90 days) as to whether this equipment or supplies meet our specifications Based on the information and samples you supply to us and your payment of a reasonable testing fee of not less than $500 testing fee, we will test the items supplied and review the proposed supplier's financial records, business reputation, delivery performance, credit rating and other information Any supplier who is able to provide equipment and/or supplies meeting our specifications is, in effect, an approved supplier We may, occasionally, make changes or alterations in the standards and specifications for the above items and approved suppliers At our discretion, we may revoke our approval from an approved supplier upon 30 days written notice to you

Insurance

In addition, you are required at your own expense to keep in full force, by advance payment(s), during the entire term of the franchise the following minimum insurance policies, which minimums may be adjusted periodically

(a) Liability Insurance

(1) General liability insurance insuring against all liability resulting from damage, injury, or death occurring to all persons or property in or about the licensed store premises (including products liability insurance), the liability under such insurance to be not less than $1,000,000 per occurrence and $2,000,000 in the aggregate or leasehold minimum, whichever is greater (combined single limit for personal injury, including bodily injury or death, and property damage), and

(2) Commercial auto liability including all owned, non-owned and hired autos used in the business with a limit of liability of not less than $1,000,000 (combined single limit for personal injury, including bodily injury or death, and property damage)

(b) Property Insurance Casualty insurance for all of your goods, fixtures, furniture, equipment, inventory and other personal property located on your franchise business premises providing insurance to the extent of 100% of the full replacement cost against loss or damage from fire and other risks normally insured against in extended risk coverage

(c) You must also maintain and keep in force all insurance on your employees that is required under federal law and the applicable laws of the state in which your franchise business is located

These policies will insure both you and us and our officers and directors and nominees as additional insureds against any liability which may accrue by reason of your ownership, maintenance or operation of the franchise business wherever it may be located These policies will stipulate that we will receive a 30 day written notice of cancellation, modification or termination Original or duplicate copies of all insurance policies, certificates of insurance, or other proof of insurance acceptable to us must be furnished to us together with proof of payment within 30 days of issuance These insurance coverage requirements are only minimums You need to make an independent determination as to whether increased amounts or additional types of insurance are appropriate

If you fail to obtain insurance and keep the same in full force and effect, we may obtain this insurance at our discretion and you will pay us upon demand the premium costs Failure to obtain and maintain the required insurance constitutes a material breach of the franchise agreement entitling us to terminate the agreement You must also procure and pay for all other insurance required by state or federal law We may periodically increase the amounts of coverage required and/or require different or additional coverage We do not derive revenue as a result of your purchase of insurance

Computer / Point of Sale System

We will require you to purchase or lease a point-of-sale ("P O S ") computer system from a designated supplier See Item 11 for more details [Franchise Agreement paragraph 6 02L]

Other than as described, there is no obligation for you, under the terms of the franchise agreement, to purchase or lease any goods, services or real estate for the establishment or operation of the franchise business from us or our affiliates or designated sources

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 of this disclosure document

	OBLIGATIONS	SECTION IN AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
a	Site selection and acquisition	Section 4 1 of the franchise agreement	Item 11
b	Pre-opening purchases/leases	Paragraphs 6 1 3, 6 1 9, 6 1 12 and 6 1 13 of the franchise agreement	Items 8 and 11
c	Site development and other pre-opening requirements	Section 4 2 of the franchise agreement	Items 7 and 11
d	Initial and ongoing training	Paragraph 6 1 4 and section 7 4 of the franchise agreement	Item 11
e	Opening	Section 4 3 and paragraph 7 1 3 of the franchise agreement	Item 11
f	Fees	Article V of the franchise agreement	Items 5 and 6
g	Compliance with standards and policies/Operating Manual	Section 6 2 and article IX of the franchise agreement	Items 8 and 11
h	Trademarks & proprietary information	Article III of the franchise agreement	Items 13 and 14
i	Restrictions on products/services offered	Article VIII of the franchise agreement	Item 8
j	Warranty and customer service requirements	Paragraph 6 1 2 and section 7 3 of the franchise agreement	Item 11
k	Territorial development and sales quota	Not Applicable	Item 12
l	Ongoing product/service purchases	Article VIII of the franchise agreement	Item 8
m	Maintenance, appearance and remodeling requirements	Paragraph 6 1 8 of the franchise agreement	Item 11
n	Insurance	Paragraph 6 1 10 of the franchise agreement	Item 7

	OBLIGATIONS	SECTION IN AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
o	Marketing	Article X of the franchise agreement	Items 6 and 11
p	Indemnification	Section 15 2 of the franchise agreement	Item 6
q	Owner's participation/management/staffing	Paragraphs 6 1 6 and 6 1 7 of the franchise agreement	Items 11 and 15
r	Records and reports	Sections 5 4 and 5 5 of the franchise agreement	Item 6 and 9
s	Inspections and audits	Sections 5 5, 7 5 and paragraph , 6 2 2(iv) of the franchise agreement	Item 6 and 9
t	Transfer	Article XIV of the franchise agreement	Item 17
u	Renewal	Section 2 2 of the franchise agreement	Item 17
v	Post-termination obligations	Section 12 1 of the franchise agreement	Item 17
w	Non-competition covenants	Article XVI of the franchise agreement	Items 14, 15 and 17
x	Dispute resolution	Article XVII of the franchise agreement	Item 17
y	Compliance with government regulations	Paragraph 6 1 1 of the franchise agreement	Item 12

ITEM 10
FINANCING ARRANGEMENTS

Neither we nor any agent or affiliate offers direct or indirect financing to you, guarantees any note, lease or obligation of yours, or has any practice or intent to sell, assign or discount to a third party all or any part of any financing arrangement of yours

ITEM 11
FRANCHISOR'S ASSISTANCE, MARKETING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, Bad Ass Coffee Company of Hawaii, Inc is not required to provide you with any assistance

Pre-Opening Assistance

Before you open your business, we will

1) Designate the area for you to find a location to open your franchise business [franchise agreement section 1 1]

2) Make available general specifications for store layout, signs, fixtures, furniture, wall coverings, equipment, and decor The following items, however, must meet our design standards and specifications signs, tables, chairs, display fixtures, lighting, color scheme and customer service counters You must adapt the above, at your own expense, to your store and site in accordance with local, state and federal laws, rules and ordinances with our approval You are responsible to obtain any required permits and to ensure compliance with the Americans with Disabilities Act [franchise agreement paragraph 7 1 1]

3) We will counsel with you in the physical aspects of setting up Bad Ass Coffee of Hawaii® premises However, you are required to work directly with the manufacturer or servicer of any required or approved products, equipment, supplies and materials [franchise agreement paragraph 7 1 3 and section 7 2]

Site Approval

We do not assist in locating a site, that is your responsibility However, we must approve your site location before you begin construction You must employ a local real estate agent to assist you in finding a site We do not provide a site evaluation guide or checklist, but do provide guidelines [franchise agreement section 4 1]

Site approval should be completed by us within four weeks or less after you have selected a prospective location Our approval is based upon the following general criteria competition, access, traffic flow, general population, parking, square feet and general vicinity At your request we may assist you in reviewing prospective sites for Bad Ass Coffee of Hawaii® store We do not prepare demographic studies or otherwise evaluate the potential success of your proposed site, nor do we provide you with a site checklist or other similar information, or warrant or guarantee the success of the location or site

Your site must be selected in time to complete any improvements to the premises and to open your store within 1 year If you fail to open your store within 1 year, your franchise is subject to termination, in our discretion If you have not located an acceptable location by the time you sign the franchise agreement you may sign a site location agreement giving you additional time to find a location However, the store must still be opened within 1 year Failure to reach agreement upon a site, after having exhausted all reasonable efforts, will result in a termination of the franchise agreement

4) Provide you with the names of approved or designated suppliers, which may include us or an affiliate [franchise agreement paragraph 7 1 2]

5) Provide you with a written list of specifications for approved food products, equipment, opening inventory, supplies and materials We do not offer assistance in delivery or installation of any of these items [franchise agreement paragraph7 1 2]

Manual

6) Loan you a copy or provide electronic access to our confidential operations manual containing mandatory policies, operating procedures, rules, employee guide, and other information The manual is confidential and will remain our property You must keep the contents of the manual confidential The manual may be modified and supplemented periodically, and the term "manual" includes all of those documents, as so modified and supplemented in the future You may not copy any part of the manuals, either physically or electronically The table of contents for the manual is included as Exhibit "G' to this disclosure document and the manual is approximately 215 pages

Training

7) We provide an initial training program for you and your managers, described in detail below You and your manager, if other than you, are required to attend and successfully complete a training program which is held at our headquarters in Salt Lake City, Utah The training program is held as needed but not less than one time per year Successful completion will be determined by our trainers but includes demonstrating competence in several areas of running a franchise business These areas include knowledge of basic policies and procedures, preparation of food, portion control, minor equipment assembly, equipment maintenance, sanitization, daily operations, record keeping, basic accounting techniques and training employees Upon successful completion, you and your manager will be trained to manage the franchise business Successful completion of training must be completed 2 weeks before you may open your franchise business The length of training depends on your prior experience, but is generally 5 days The cost of the training is included in your initial franchise fee, but you are responsible for the cost of travel, meals and lodging We will provide the training, without an additional fee to you, for up to 3 people, however, the cost of travel, meals, lodging and wages must be borne by you These costs are estimated to be $1,500 to $3,000 per person trained If you wish to have additional people attend the training or require or request additional days of training, there will be an additional fee [franchise agreement section 7 4]

We also provide you with 5 days of opening assistance during your grand opening During these 5 days, our representative will be at your franchise business and assist you with the various aspects of your grand opening

During the initial training course, you and your designated trainees will be instructed in your franchise business operations and management and will be given "hands on" experience in all phases of store operations at an existing Bad Ass Coffee of Hawaii® store This training is provided by instructors whose experience is described below and in Item 2 if the trainer is part of management The training program consists generally of the following

TRAINING PROGRAM[1]

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING[2]	LOCATION
DAY ONE			
Orientation	4		Salt Lake City, Utah
Policies and Procedures Overview	4		Salt Lake City, Utah
Product Identification	2		Salt Lake City, Utah
DAY TWO			
Flagship Store Training		5	Salt Lake City, Utah
Coffee College	2	2	Salt Lake City, Utah
DAY THREE			
Marketing and Promotional	2		Salt Lake City, Utah
Recap		1	Salt Lake City, Utah
Flagship Store Training (cont)		6	Salt Lake City, Utah
DAY FOUR			
Flagship Store Training (cont)		5	Salt Lake City, Utah

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING[2]	LOCATION
Written Tests	1		Salt Lake City, Utah
Evaluation	1		Salt Lake City, Utah
Policies and Procedures Overview (cont)	1		Salt Lake City, Utah
Employee Training	1		Salt Lake City, Utah
DAY FIVE			
Flagship Store Training (cont)		5	Salt Lake City, Utah
Managerial Accounting and Inventory Procedures	3		Salt Lake City, Utah
Personnel and Human Resources	2		Salt Lake City, Utah
Training Review	1		Salt Lake City, Utah
TOTAL Classroom and In-Store Hours	24	14	

All training will be conducted primarily by Connie Alexakos and Steve Meeker Ms Alexakos has been with BACH from its inception and has extensive retail experience with the Nature Company, Disney and Gymboree Mr Meeker has worked with BACH since June 2003 Prior to joining BACH he worked with Kenji's Japanese Restaurants in Las Vegas and Tokyo Express in Phoenix where he was responsible for designing stores, drafting employee manuals, implementing operations, food preparation and cost controls for the restaurants

You will be working in all phases of store operations in our store located at the training site and will be instructed on subjects ranging from product and inventory orders, scheduling employees to food and beverage preparation

We do not provide training or assistance in hiring or training of your employees

Estimated Length of Time Before Operation

It is estimated that the length of time between the signing of the franchise agreement with the accompanying payment of the initial franchise fee and the opening of Bad Ass Coffee of Hawaii® store is 3 to 12 months Factors affecting this length of time usually include obtaining a satisfactory site, financing arrangements, construction, local ordinance compliance and delivery and installation of furniture, fixtures, equipment, signs, and inventory items Improvements must be completed not later than 12 months from the date of the franchise agreement

You must give us at least 15 days written notice before opening your franchise business location Failure to meet these deadlines will result in a termination of the franchise agreement without a refund [franchise agreement article IV]

Assistance During Operation

During the operation of your business, we will

1) Establish policies, procedures, standards, specifications, products and services for the operation of your franchise business We may change, modify or update these procedures, standards, specifications, products and services at our discretion You must strictly follow these procedures, standards and specifications and any modifications to the procedures, standards and specifications as they develop Failure to do so is grounds for termination of your franchise [franchise agreement section 9 2]

2) Provide you with updates to the manual We have the right to periodically add to and otherwise modify the confidential manual to reflect changes in products, services, specifications, standards and operating procedures, including sales and marketing techniques respecting the franchise business The modifications may obligate you to invest additional capital in your franchise business and to incur higher operating costs You must incorporate all such modifications within the time periods that we specify We will not obligate you to invest additional capital at a time when the investment cannot in our reasonable judgment be amortized during the remaining term of the franchise agreement [franchise agreement paragraph 9 1 1] We will keep your copy of the confidential manual current, which may be provided to you online or in electronic format The then current master copy of the confidential manual maintained by us at our principal office will be controlling in the event of a dispute relative to the contents of the confidential manual [franchise agreement article IX] You may not copy any part of the manuals, either physically or electronically

3) At your reasonable request, provide assistance and supervision through our online site, via telephone, emails, teleconferences and website updates However, for problems and

training for the computer system, other equipment and warranty items, you must work directly with your supplier of these items If you feel additional in-person assistance is necessary, we will provide in-person assistance at your franchise business location For our services you will be charged our standard rate in effect at the time We currently charge a fee of $500 per day per representative, payable in advance, or as otherwise agreed for assistance at your location You must also pay the cost of travel, meals and accommodations for our representatives [franchise agreement section 7 2]

During the operation of your franchise business, we may

1) Hold annual conferences or conduct seminars to discuss improvements, new developments, mutual concerns and business issues, marketing techniques, personnel training, bookkeeping, accounting, inventory control, performance standards, marketing programs and merchandising procedures There may be a conference fee, and you must pay all your travel and living expenses At this time attendance is not mandatory These conferences will be held at various locations chosen by us [franchise agreement paragraph 6 1 13]

2) At our discretion, make periodic inspections of your franchise store for system compliance, consultation, assistance, and guidance of you in all aspects of the operation and management of the franchise store as is from time to time deemed appropriate by us We may provide written reports of any suggested changes or improvements for the operation or management of the franchise store and detail any defaults in operations which become evident as a result of any evaluation and inspection Additional guidance, at our sole discretion, will be furnished in the form of our confidential manual, bulletins or other written materials, telephone consultations and/or consultations at the offices of BACH or at your franchise business in combination with an inspection of your franchise business [franchise agreement section 7 5] We shall have the right to communicate directly with your manager or assistant manager concerning all matters of an operational nature Upon our request, at all reasonable times, you will provide to us (electronically or CD at Our election) a video and/or digital images of the interior and exterior of your franchise business as set forth in the manual [franchise agreement paragraph 6 2 2(iv)]

3) At our discretion, we may conduct additional seminars to discuss improvements, new developments, mutual concerns and business issues, sales and marketing techniques, personnel training, bookkeeping, accounting, inventory control, performance standards, marketing programs and merchandising procedures There may be a seminar fee, and you must pay all your travel and living expenses These seminars are normally held at our headquarters or as available at regional facilities [franchise agreement paragraph 6 1 13]

4) Provide you with such continuing advisory assistance in the operation of the franchise business as we deem advisable [franchise agreement section 7 2]

5) We may, to the degree permitted by law, suggest retail maximum and minimum pricing above and below which you will not provide any goods or services and you will honor all coupon, price reductions and other programs established by us [franchise agreement paragraph 6 1 11]

6) Replace any defective Bad Ass Coffee of Hawaii® products and other inventory items pursuant to our standard limited warranty [franchise agreement paragraph 7 3]

7) We do not assist you with the training, hiring, managing or firing of your employees You are solely responsible for the hiring of all employees, along with the management, supervision and oversight of your employees, and for the terms and conditions of their employment and compensation Other than initial management training, we do not assist you with training your employees [franchise agreement paragraph 7 4 1]

Marketing and Promotion

1) Occasionally, provide you with samples of marketing and promotional materials developed by us Additional copies are available at cost plus 10% for shipping and handling You may develop marketing materials for your use, at your cost, but all marketing material developed or used by you must have our prior written approval Any marketing you create becomes our property and will be considered "works for hire" that can be used by us or other franchisees without compensating you and may be made available on our website If you do not receive written approval or disapproval within ten (10) business days of the date we received your submission, the materials submitted are deemed unapproved/approved [franchise agreement sections 3 5 and 10 3-10 5]

2) Send to you, as available, promotional materials and bulletins on new marketing developments and new or improved techniques [franchise agreement section 10 4]

3) Consult with you in planning marketing for the opening of Bad Ass Coffee of Hawaii® store and provide you with sample marketing and promotional aids [franchise agreement paragraph 10 2]

4) You must use 1% of your gross sales for local marketing In addition and upon request, you must submit an itemized request to us documenting proof of expeditions for local marketing in form we may require We reserve the right to increase the minimum local marketing if we determine, in our sole discretion that do so well be in the best interest of the franchise system [franchise agreement paragraph 5 3 2]

5) We provide you with store opening marketing assistance You are required to purchase our standard opening marketing package at a cost of $5,000 This fee is non-refundable and payable in full at the time of signing the franchise agreement [franchise agreement paragraph 10 2]

Marketing Fund

6) We have the right to institute, maintain and administer a national marketing and development fund (referred to as the 'marketing fund") for local or national marketing or public relations programs as we, in our sole discretion, may deem necessary or appropriate to market and promote the franchise system You must contribute 2% of your gross weekly sales to the marketing fund We and our affiliates contribute to this fund on the same basis as the franchisees We have

no franchise businesses that do not contribute to the fund We will direct all national or regional marketing and marketing programs, with sole discretion over 1) the creative concepts, materials, endorsements and media used regarding these programs (which may include television, Internet, radio and print marketing as funds permit), 2) the source of the marketing or public relation efforts (which may be in-house or through an outside agency located locally, regionally or nationally), 3) the placement and allocation of these programs (which will be local or regional), and 4) the composition of all geographic territories and market areas for the development and implementation of these programs [franchise agreement section 10 1]

Most marketing is developed by our marketing department We make the marketing materials available to you for your use locally We do not provide for placement of local marketing We reserve the right to use fees from the marketing fund to place marketing in national or regional media (including broadcast, print or other media) Marketing funds are used to promote the products and services sold by the franchisees and may be used directly in marketing for the purpose of soliciting or the sale of additional franchises

We are responsible for administering the marketing fund We may use the fund to offset a portion of direct cost to manage and maintain the fund, including the payment of staff salaries and other expenses for those employees who may be involved in marketing fund activities We may receive payment for providing goods or services to the marketing fund We are not required to spend any amount on marketing directly in the area or territory where you are located Any unused marketing funds in any calendar year will be applied to the following year's fund The marketing fund is unaudited You may request an unaudited annual report of marketing expenditures within 90 days of the end of each year During the 2015 fiscal year, the marketing funds were used in the following ways Productions 30%, Administrative Expenses 30%, Soliciting New Franchisees 40%

No franchisee marketing council is anticipated at this time

The Internet

7) You may create a website and social media site However, all content placed on the site must be pre-approved in writing by us and must strictly comply with the policies and procedures established by us regarding websites, social networking sites, and Internet marketing You are required to provide us all usernames, passwords and account information and any other information related to any of your websites and social media and social network site accounts We reserve the right to restrict your right to use these sites in the future The website must be designed by our approved supplier in accordance with our specifications, at a minimum cost of $3,000 We will obtain your URL and you will be required to pay the cost All social media must be in accordance with our standards as described in our operations manual We will obtain a Facebook site for your store and set up the original Facebook page Our approval of your website and social media sites may be revoked by us at any time Failure to strictly follow our policies and procedures is grounds for termination of the franchise agreement [franchise agreement section 10 6]

Marketing Cooperative

8) We may also cause the formation of local and/or regional cooperative marketing associations covering those areas as we, in our sole discretion, deem appropriate, and we may disperse those funds as we believe appropriate from the marketing fund to any local and/or regional cooperative marketing associations for local and/or regional marketing You are required to participate in local or regional marketing cooperative when established by us The area of any cooperative marketing association will be based on regions determined by us Upon the formation of a local or regional cooperative marketing association, you will be deemed to be a member of that association as covers the area in which your franchise is located and you will be bound by any decisions made by the association upon a majority vote by voting members You and other franchisees in the cooperative will be responsible for the administration of the association We will develop governing documents and make these governing documents available to all franchisees within the cooperative area At this time these governing documents are not available Voting will be on the basis of one vote per franchise business in good standing or company-owned outlet in the association You will be required to contribute marketing fees to any local or regional cooperative marketing associations as determined by the cooperative members, but any contribution will not exceed your local marketing requirements, currently 1% gross sales All franchisees, and company or affiliate owned franchises, if any, within the marketing cooperative area will be required to join and contribute to the fund on the same basis or rate, however, neither we nor our affiliate stores are required to participate in any cooperative The cooperative will be required to prepare unaudited annual financial statements and these will be available to all franchisees in the cooperative, and us, for review We have the power to require cooperatives to be formed, changed, dissolved or merged at any time [franchise agreement section 10 2]

Computer/Point of Sale System

9) Implement the Use of a Point-of-Sale ('P O S ") Computer System We will require you to purchase or lease a Granbury/Coffee Shop Manager System terminal point-of-sale computer system at a cost of approximately $4,700 - $8,000 The computer system will do, among other things, the following

- compute all applicable prices, taxes, discounts and returns,
- record inventory items,
- process different forms of payment, including cash, credit cards, gift certificates and checks,
- produce ordering information for communication to suppliers,
- perform an end-of-the-day routine for controlling cash and nightly deposits,
- assess staff requirements for peak/slow periods, hourly reading for labor,

We will have independent access to the information and data collected or generated by the computer system You must keep these systems available for our access 24 hour 7 days per week There are no contractual limitations on our right to access this information You must at all times maintain and frequently check a valid email address, known and available to us, to facilitate our communication with you You may be required to upgrade the system or software as technology demands We do not have an estimate of the cost of upgrades to the system or software

Neither we nor an affiliate has any obligation to provide on-going maintenance, repairs, upgrades or updates However, you are required to update and maintain your hardware and software at least annually at your expense After the first year of use, the system has an annual update and customer support fee of $500 which is paid to the system provider There are no contractual limitations to the frequency and cost of the obligation to upgrade the POS or computer system [franchise agreement paragraph 6 1 12]

You may be required to use only the standardized profit and loss statement templates and balance sheet templates that we will provide you [franchise agreement paragraph 5 5]

Area Developer Agreement

Your rights under the area developer agreement are territorial only and do not give or imply a right to use our trademarks or system Our only obligation is to provide a territory where you have the option to develop Bad Ass Coffee Company® franchise business provided in the agreement You may face competition from other franchisees, from units that we own, or from other channels of distribution or competitive brands that we control After you have identified a potential location for a store, we will approve the location for that franchise business pursuant to your franchise agreement for that franchise business [area developer agreement paragraph 2 1 and franchise agreement section 1 1]

Miscellaneous

We may approve exceptions to or changes in the uniform standards for you or any other franchisee that we believe are necessary or desirable based on particular circumstances You have no right to object to these variances or to obtain the same variance yourself We may deny any or all of the above services to you while you are in breach of the franchise agreement or in default in the discharge of any of your obligations to us [franchise agreement paragraph 6 2 2]

ITEM 12
TERRITORY

As a standard or stand alone drive-through franchisee, your territory will be limited to your store location As a food truck franchisee, you are restricted from operating within three miles of any other franchisee without prior approval Additionally, if there are multiple food trucks within a general area, we reserve the right to provide additional restrictions and/or rules in regards to where the food truck may be parked or located You are restricted to operations from the franchised premises and/or truck For the standard and drive-through franchise, you may not, without our prior written approval, relocate your current franchise or open or operate another outlet Approval to relocate is based upon the same criteria used in approving a new franchisee's proposed site (see item 11) You do not have any rights of first refusal, options, or similar rights to acquire additional franchises You must actively market, promote, develop and sell only Bad Ass Coffee® products, but there are no minimum sales quotas to retain your territorial rights

You will not be assigned an exclusive territory for your franchise business You may face competition from other franchisees, from outlets that we own, or from other channels of

distribution or competitive brands that we control However, we will not generally establish another Bad Ass Coffee of Hawaii® franchise or company owned unit using the trademark within three driving miles of your store

We have not and will not establish a company or affiliate-owned outlet using Bad Ass Coffee® system in your territory We and our affiliates, either personally or through agents and representatives, reserve the right to sell, market, and distribute Bad Ass Coffee® products in your territory and elsewhere using other marketing strategies and distribution channels, like catalogs, the internet, mobile units and other direct sales methods, to or through grocery and convenience stores and wholesale outlets, co-branding with fast food outlets and the Internet, etc We also reserve the right to set up a mobile unit program for our franchisees We do not pay you for soliciting or accepting orders or selling any products or services through other channels inside your territory We will not sell similar products or services in your territory under a different trademark, nor will our affiliates, but we reserve the right to do so in the future You may establish a website store to sell Bad Ass Coffee® products from your website, but only with our written approval We reserve the right to revoke our approval at any time

Other franchisees may market and accept orders from customers within your territory and you may market and accept orders from customers outside your territory and within their territories Your use of alternative means of marketing and sale of products is limited to your website

Area Developer Agreement

As an area developer, you will be assigned an exclusive territory over which you will have development authority The size of your territory is to be negotiated The written boundaries will be included in your area developer agreement The number of units and the schedule of units to be developed in your territory are negotiated between you and us To maintain your territorial rights you must develop the franchise units in accordance with the development schedule We have the right to adjust your territory based upon increases in the population in the territory of 10,000 or more and we may perform the services, obligations, duties and responsibilities as may be reasonably required We also reserve the right to sell, market and distribute Bad Ass Coffee of Hawaii® products in your territory and elsewhere using other marketing strategies and distribution channels, such as by catalog and other direct sales methods to or though grocery and convenience stores and wholesale outlets, the Internet, etc We will not sell similar products or services in your territory under a different trademark, nor will our affiliates

ITEM 13
TRADEMARKS

We grant you the non-exclusive right to use certain of our trademarks in the operation of your franchise business You may also use other current or future trademarks in the operation of your franchise business, as we designate You will not at any time acquire any rights in the trademarks By trademarks we mean our trade names, trademarks, commercial symbols, service marks and logos

The following trademarks, service marks, trade names, logotypes or other commercial symbols listed below are registered or have been filed for registration with the United States Patent and Trademark Office All required affidavits and renewals have been filed

Registration/ Serial Number	Word or Design Mark	Registry	Registration/ Filing Date	Status
2,226,968	BAD ASS COFFEE COMPANY®	Principal	March 2, 1999	Registered
4,584,047	BAD ASS COFFEE OF HAWAII®	Principal	August 12, 2014	Registered
4,763,947		Principal	June 30, 2015	Registered
3,728,946	BAD ASS COFFEE OF HAWAII®	Principal	December 22, 2009	Registered
2,194,521	THE BAD ASS COFFEE COMPANY®	Principal	October 13, 1998	Registered
2,196,877	THE BAD ASS COFFEE COMPANY®	Principal	October 20, 1998	Registered
2,194,520	THE BAD ASS COFFEE COMPANY®	Principal	October 13, 1998	Registered
2,995,294		Principal	September 13, 2005	Registered
2,172,067[1]		Principal	July 14, 1998	Registered

[1]Under mutual agreement between us and Bad Ass Cafe, we were able to obtain federal registration for use of this mark in relation to coffee, tea, mugs, clothing, namely, T-shirts, sweatshirts, shirts, caps, hats, sun visors, spices, pastry, candy, and retail store services for coffee, tea, spices and coffee bar services, and we have allowed Bad Ass Cafe to able to obtain federal registration for use of this mark in relation the mark for T-shirts, shorts, shirts, pants, sweatshirts, sweat shorts, sweat pants, underwear, caps, hats, socks, mugs, coasters and restaurant and carry-out food services

You must use all trademarks in strict compliance with our manuals and Bad Ass Coffee of Hawaii® system You must modify or discontinue the use of a trademark at your cost, if we modify

or discontinue it You are prohibited from using any trademark as part of your corporate name, but you must use the name Bad Ass Coffee of Hawaii® as part of an assumed name or dba registered with the applicable governmental authority This use is non-exclusive You cannot make application for registration or other protection of Bad Ass Coffee of Hawaii® names, derivatives or any other trademark used by us

You may only use the trademarks with the letters "TM" or "SM" or "®" as appropriate You are prohibited from using any trademark in the sale of any unauthorized product or service or in any manner not expressly authorized in writing by us You are required to adhere fully and strictly to all security procedures required by us for maintaining the secrecy of proprietary information

There are presently no effective determinations by the United States Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state or any court or pending interference, opposition or cancellation proceeding, or pending material litigation involving the trademarks There are no agreements currently in effect which significantly limit our rights to use or license the use of the trademarks

There are presently no superior rights in or infringing uses of the trademarks that could materially affect your use of the trademarks in your territory

You are obligated to immediately notify us when you learn about an infringement of or challenge to your use of our trademarks We will have the discretion to take the action we deem appropriate We are not obligated to protect any rights which you have to use the trademarks, or to protect you against claims of infringement or unfair competition You are given the right to protect yourself, at your sole cost, from any of these claims if we elect not to prosecute the claim of infringement or unfair competition, however, we have the right to control any administrative proceedings or litigation involving the trademarks, and you will proceed in strict coordination and oversight by us You may not act contrary to our rights in the marks We are not required to defend or indemnify you for expenses or damages if you are party to an administrative or judicial proceeding involving the licensed trademark

You may not contest, directly or indirectly, our right and interest in our trademarks, names or marks, trade secrets, methods, and procedures which are part of our business and agree to execute documents and assurances necessary to effectuate these provisions Any goodwill associated with the trademarks or system belongs exclusively to us

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use an item covered by patent We do not have any pending patent applications with the United States Patent and Trademark Office

We have not registered the policies and procedures manual or other manuals with the United States Copyright Office, but we claim a copyright and consider the information proprietary, and we or Our affiliate claim protected trade secrets and copyrights in Our franchise system and

recipes

You can use the proprietary information in our manual but only in connection with the system The manual may not be copied The manual must be returned to us upon termination of your franchise As mentioned above, portions of the "Bad Ass Coffee of Hawaii®" system are a trade secret or confidential and proprietary to us You must also promptly tell us when you learn about unauthorized use of the manuals and any other proprietary information We are not obligated to take any action but will respond to this information as we believe appropriate If applicable, we have the right to control any administrative proceedings or litigation We are not required to defend or indemnify you for any damages from a proceeding based on copyright You must modify or discontinue the use of any copyright, at your cost, if we modify or discontinue it, in our reasonable discretion

We have the right to control any litigation We are not required to defend or indemnify you for any damages from a proceeding based on copyright You must modify or discontinue the use of any copyright, at your cost, if we modify or discontinue it, in our reasonable discretion

With regards to our proprietary information, the franchise agreement also provides that you will (a) strictly follow all confidential security procedures required by us, (b) disclose this information to your employees only as needed to market our products and services, (c) not use this information in any other business, (d) exercise the highest degree of diligence to maintain this information as confidential, and (e) promptly notify us if you learn of any unauthorized use of our trade name, trade secrets or proprietary information Your use of our proprietary information is limited to the uses required or allowed by us

We claim other copyrights in sales literature and marketing materials which we, or our franchisees develop for our use and for use by our franchisees, and your use of these materials will be limited to the uses required or allowed by us

There are presently no superior rights in or infringing uses of the copyrights or patents that could materially affect your use of the copyrights or patents in your territory

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

You must personally participate in the operation of the franchise business, but need not manage the business full time We recommend personal participation We require on-premises supervision by you or your designated manager You are not required to work a certain or minimum number of hours, but, you must work sufficient hours to operate your franchise business at maximum capacity and efficiency You must have at least 1 manager on-site during regular business hours Although we do not require you to be involved in the day-to-day on-premises management, you are required to participate in your franchise business as follows (i) You must be directly responsible for all accounting, reporting and bookkeeping, (ii) you must attend and complete all training and retraining courses required by us, (iii) you must attend any annual or special meetings of franchisees called by us, (iv) you must be directly involved with site selection,

construction, remodeling and all financial components of the franchise business, and (v) you or your trained and designated manager must be directly involved in all personnel decisions affecting the franchise business

You and at least one manager, if separate from you, must attend the initial training program unless you have been previously trained by us You must understand clearly that the risks, financial and otherwise, which are inherent with the beginning of any new business, are yours alone We, as a matter of policy, will not assist you in any decision making process which may affect your business operations The success or failure of your franchise as a business enterprise is for the most part dependent on your efforts Purchase of this franchise should not be considered by anyone who is unfamiliar with standard business practices or is unwilling to accept the responsibilities associated with running a small business

Neither you nor your management employees can have an interest in or business relationship with any business competing with us in a wholesale or retail coffee business Your managers do not need to have an ownership interest in your franchise business You , your partners, directors, members, shareholders and your manager and other principal employees, however, will be required to sign a standard confidentiality agreement for the trade secrets and confidential information described in Item 14 and to conform with the covenants not to compete described in Item 17 (see franchise agreement exhibits "A-3" and "A-4")

You must operate the store not less than 7 days per week throughout the year (unless waived in writing by us) and maintain sufficient store supplies of coffee, food and paper products and employ adequate personnel to operate the store at its maximum capacity and efficiency You must keep free from conflicting enterprises or any other activities which would be detrimental to or interfere with Bad Ass Coffee of Hawaii® franchise You must conduct frequent inspections of the facilities and operations to ensure the highest standards of cleanliness and general pleasant appearance, and compliance with our approved methods Failure to provide the required on-premise supervision is considered a default under the franchise agreement and may result in terminating your franchise In addition, if we or our independent service provider find that you are not in compliance, we have the option, at our discretion, to manage the store until you have found a suitable replacement to act as your manager For this you will be charged our then-current fee, (currently $500 per person per day, plus travel and living expenses for our representatives, and you will remain responsible for all royalties, marketing fees, and all other fees required under the franchise agreement

Any individual who owns a 5% or greater interest in the franchise unit must personally guarantee the performance of all your obligations under the franchise agreement and agree to be personally bound by, and liable for, the breach of every provision of the franchise agreement

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may carry and serve only those products, goods, and services specified and approved by us in writing No item may be added to, altered, or discontinued by your franchise business unless it is first approved by us in writing You must offer all menu items, products, goods and

services required by us We reserve the right to add, modify and delete menu items, products and services that you will be required to offer There are no limits on our right to do so You must strictly follow our policies, procedures, specifications, methods and techniques concerning all of Bad Ass Coffee of Hawaii® products, services and recipes You must purchase all of Bad Ass Coffee of Hawaii® materials and supplies from us or our approved suppliers (see Item 8)

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP
This table lists certain important provisions of the franchise and related agreements You should read these provisions in the agreements attached to this disclosure document

Standard & Drive Through Franchise Agreements

	PROVISION	FRANCHISE & OTHER AGREEMENTS	SUMMARY
a	Length of the franchise term	Section 2 1	Term - 5 years - Not affected by any other agreements
b	Renewal or extension of the term	Section 2 2	If you are in good standing at the end of the initial term, you enter into a new successor franchise agreement for an additional term of 10 years
c	Requirements for franchisee to renew or extend	Section 2 2	Not be in default, sign a new agreement which may contain terms that are materially different from the previous agreement, pay $2,500 successor franchise fee, modernize and sign release However, this release many not apply in certain states, see State Addenda
d	Termination by franchisee	Section 11 4	You may not terminate the agreement
e	Termination by franchisor without cause	Section 11 1	We must have cause to terminate the agreement (see below)
f	Termination by franchisor with cause	Section 11 1	We can terminate the franchise agreement if you are in default of your franchise agreement
g	"Cause" defined - curable defaults	Paragraphs 11 1 A-O	You have 24 hours to cure health violations, 15 days to cure monetary and reporting defaults, and 30 days to cure certain other material defaults of the franchise agreement

	PROVISION	FRANCHISE & OTHER AGREEMENTS	SUMMARY
h	"Cause" defined - non-curable defaults	Paragraphs 11 1 P-CC	Non-curable defaults conviction of felony, fraud, repeated defaults even if cured and abandonment, trademark misuse, and other defaults listed in the franchise agreement
i	Franchisee's obligations on termination/ non-renewal	Section 12 1	Obligations include complete de-identification, payment of amounts due, and compliance with the non-competition agreement (also see (r), below)
j	Assignment of contract by franchisor	Section 14 1	There are no restrictions on our right to assign including merger with, acquisition by, or sale to a competing company
k	"Transfer" by franchisee - defined	Section 14 2	Includes assignment and transfer of contracts, security interests and ownership change
l	Franchisor approval of transfer by franchisee	Section 14 2	We must approve all transfers but will not unreasonably withhold approval
m	Conditions for franchisor approval of transfer	Sections 14 3 - 14 8	You are not in default, all fees paid to us and new franchisee qualifies, and signs the then-current Franchise Agreement, transfer fee paid, purchase agreement approved, training arranged, and a release is signed by you (see state specific addenda)
n	Franchisor's right of first refusal to acquire franchisee's business	Section 14 9	We can match any offer for your franchise business within (60) days of written notice to us of offer
o	Franchisor's option to purchase franchisee's business	Section 13 1	Upon termination we can buy your assets at fair market value

	PROVISION	FRANCHISE & OTHER AGREEMENTS	SUMMARY
p	Death or disability of franchisee	Section 14 10	We may operate your franchise business until a personal representative is approved or the franchise must be assigned to approved buyer within a reasonable time not to exceed 120 days In our discretion, we have the right to manage your franchise until a new franchisee is appointed You will be charged a per day/per representative fee (currently $500 per person per day), plus our costs, for us to manage your franchise business during this time
q	Non-competition covenants during the term of the franchise	Section 16 1	No involvement in competing coffee business
r	Non-competition covenants after the franchise is terminated or expires	Sections 16 3 – 16 4	No competing coffee business for 2 years within 3 miles of another Bad Ass Coffee of Hawaii® franchise, company owned or affiliate owned Bad Ass Coffee of Hawaii® business (including after assignment) If you compete within the time period then this non-compete time period will be extended for the period of your competition plus 6 months
s	Modification of the agreement	Section 23 11	Modifications must be made in writing and signed by both parties, but policies and procedures are subject to change by us
t	Integration / merger clause	Section 23 10	Only the terms of the franchise agreement or deposit agreement are binding (subject to state law) All representations and promises outside the disclosure document and franchise agreement may not be enforceable Our integration/merger clause does not disclaim our representations in this disclosure document

	PROVISION	FRANCHISE & OTHER AGREEMENTS	SUMMARY
u	Dispute resolution by arbitration or mediation	Section 17 2	Except for certain claims, all disputes must be arbitrated in Salt Lake City, Utah (see state specific addenda)
v	Choice of forum	Sections 17 2 and 22 2	Arbitration must be in Salt Lake City, Utah Litigation, if any, must be in Utah (see state specific addenda)
w	Choice of Law	Sections 22 1 and 22 4	Utah law, the Federal Arbitration Act and the United States Trademark Act apply (may be subject to additional state law requirements)

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Area developer and related agreements You should read these provisions in the agreements attached to this disclosure document

Area developer Agreement

	PROVISION	AREA DEVELOPER AGREEMENT	SUMMARY
a	Length of the Area developer Agreement	Section 3 4 & Exhibit B	The term is the negotiated development period from 5 to 10 years
b	Renewal or extension of the term	Not Applicable	
c	Requirements for developer to renew or extend	Not Applicable	
d	Termination by developer	Not Applicable	
e	Termination by franchisor without cause	Not Applicable	
f	Termination by franchisor with cause	Section 9 1	We can terminate only if you are in default of your agreement
g	"Cause" defined - curable defaults	Sections 9 1 1 and 9 1 3	You have 45 days to cure a development schedule default and 30 days to cure certain other material defaults of the area developer agreement

	PROVISION	AREA DEVELOPER AGREEMENT	SUMMARY
h	"Cause" defined - non-curable defaults	Section 9 1 2	Non-curable defaults conviction of felony, fraud, failure to pay, insolvency, repeated defaults even if cured and abandonment
i	Developer's obligations on termination/ non-renewal	Section 10	We may sell in your territory and you may continue as a franchisee pursuant to your signed franchise agreements
j	Assignment of contract by franchisor	Section 12 1	No restrictions on our right to assign including merger with, acquisition by, or sale to a competing company
k	"Transfer" by developer - defined	Section 12 2	Includes assignment and transfer of contracts, security interests and ownership change
l	Franchisor approval of transfer by franchisee	Section 12 2	We have the right to approve all transfers, but will not unreasonably withhold approval
m	Conditions for franchisor approval of transfer	Section 12 2	You are not in default, transferee is trained and release signed by you
n	Franchisor's right of first refusal to acquire developer's business	Section 12 3	We can match any offer for your franchise business within 60 days of written notice to us of offer
o	Franchisor's option to purchase developer's business	Not Applicable	
p	Death or disability of developer	Not Applicable	Personal representative approved or Area developer agreement must be assigned to approved buyer within a reasonable time not to exceed 120 days following death or disability
q	Non-competition covenants during the term of the Area Developer Agreement	Section 11 1	No involvement in competing coffee business

	PROVISION	AREA DEVELOPER AGREEMENT	SUMMARY
r	Non-competition covenants after the developer is terminated or expires	Section 11 1	No competing coffee business for 3 years within 3 miles of your territory or another Bad Ass Coffee of Hawaii® franchise, company owned or affiliate owned Bad Ass Coffee of Hawaii® business (including after assignment) If you compete within the time period then this non-compete time period will be extended for the period of your competition plus 6 months
s	Modification of the agreement	Section 16 7	Modifications in writing, Policies and Procedures are subject to change by us
t	Integration / merger clause	Section 16 8	Only the terms of the area developer agreement are binding (subject to state law) All representations and promises outside the disclosure document and area developer agreement may not be enforceable Our integration/merger clause does not disclaim our representations in this disclosure document
u	Dispute resolution by arbitration or mediation	Section 15 2	Except for certain claims, all disputes must be arbitrated in Salt Lake City, Utah (subject to state law)
v	Choice of forum	Section 16 2	Arbitration must be in Salt Lake City, Utah Litigation, if any, must be in Utah (subject to state law – see state specific addenda)
w	Choice of Law	Section 16 2	Utah law, the Federal Arbitration Act and the United States Trademark Act apply (subject to state law – see state specific addenda)

ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote our franchise

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document Financial performance information that differs from that included in Item 19 may be given only if (1) a franchisor provides the actual records of an existing outlet you are considering buying, or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances

BAD ASS COFFEE OF HAWAII® FRANCHISE LOCATIONS
TOTAL ANNUAL GROSS SALES FOR ALL LOCATIONS OPERATING THE ENTIRE TIME FROM 2010 -2016

Year	Number of Franchise Locations Included	Total Annual Gross Sales of Included Franchise Locations	% of Increase From the Year Before
2010	16	$5,195,906	N/A
2011	16	$4,531,095	-12 79%
2012	16	$5,408,708	+19 37%
2013	16	$6,165,816	+14%
2014	16	$6,184,793	+ 31%
2015	16	$6,831,153	+10 45%
2016	16	$6,939,944	+1 59%

The above financial performance representation is an historic representation This representation is based on the 16 franchise locations that operated continuously in the United States or its territories during the entire 2010 - 2016 fiscal years We had up to 20 units operating in the United States and its territories at various times between 2010 through 2016, but we have not included any locations that opened during that time period Nor have we included the locations that closed during that time period

The above financial performance representation is based on the gross sales reported by the franchisees We have not audited these amounts for accuracy Your franchise may be different from those included in this Item 19 These differences may include your experience, competition in your area, length of operations, the menu items and your individual financial results may differ from those stated in this financial performance representation Your results are dependent upon

your efforts You are strongly urged to make an independent survey of the economic and market conditions in your area and to consult your accountant, attorney and/or financial advisor

The financial performance figures do not reflect the costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business Franchisees or former franchisees, listed in this disclosure document, may be one source of this information

Other than the preceding financial performance representation, Bad Ass Coffee Company of Hawaii, Inc does not make any financial performance representations We also do not authorize our employees or representatives to make any such representations either orally or in writing If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Dan Ronnow at 155 West Malvern Avenue, Salt Lake City, Utah 84115 and (801) 463-1966, the Federal Trade Commission, and the appropriate state regulatory agencies

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No 1
Systemwide Outlet Summary
For Years 2014 - 2016

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised[1 2]	2014	19	20	+1
	2015	20	19	-1
	2016	19	18	-1
Company Owned	2014	0	0	0
	2015	0	0	0
	2016	0	0	0
Total Outlets	2014	19	20	+1

	2015	20	19	-1
	2016	19	18	-1

[1] This chart only includes franchises that are open and located in the United States or its territories We have 4 open franchises in Japan

[2] We have 2-3 businesses that buy coffee beans from us, our affiliate, or distributors at wholesale, but they do not participate in our system

Table No 2
Transfers of Outlets from Franchisees to New Owners
(other than the Franchisor)
For Years 2014 - 2016

State	Year	Number of Transfers
California	2014	0
	2015	1
	2016	0
Florida	2014	0
	2015	0
	2016	0
Hawaii	2014	0
	2015	0
	2016	0
Illinois	2014	0
	2015	0
	2016	0
Montana	2014	0
	2015	0
	2016	1
Nevada	2014	0
	2015	0
	2016	0
New Mexico	2014	1
	2015	0
	2016	0
New York	2014	0
	2015	0
	2016	0
Oregon	2014	0
	2015	0
	2016	0
Utah	2014	1
	2015	0

State	Year	Number of Transfers
	2016	0
Virginia	2014	0
	2015	0
	2016	0
US Virgin Islands	2014	0
	2015	0
	2016	0
Puerto Rico	2014	0
	2015	0
	2016	0
Total	2014	2
	2015	1
	2016	1

Table No 3
Status of Franchised Outlets[1]
For Years 2014 - 2016

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
California	2014	3	0	0	0	0	0	3
	2015	3	0	0	0	0	0	3
	2016	3	0	0	0	0	0	3
Florida	2014	4	1	0	0	0	0	5
	2015	5	0	0	0	0	1*	4
	2016	4	0	0	0	0	0	4
Hawaii	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
Montana	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
Nevada[3]	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
New Mexico	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
	2016	1	0	0	0	0	0	1
New York	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	1	0
Oregon	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
Utah	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
Virginia	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
US Virgin Islands	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
Puerto Rico	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
Totals	2014	19	1	0	0	0	0	20
	2015	20	0	0	0	0	1*	19
	2016	19	0	0	0	0	1	18

[1] This chart only includes franchises that are open and located in the United States or its territories We have 4 open franchises in Japan

[2] We have 2-3 businesses that buy coffee beans from us, our affiliate, or distributors at wholesale, but they do not participate in our system

[3] This unit operates as a mobile unit in Las Vegas, Nevada

* This unit is temporarily closed and is scheduled to re-open at a new location in 2016

Table No 4
Status of Company-Owned Outlets
For Years 2014 - 2016

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Totals	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0

Table No 5
Projected Openings as of December 31, 2016

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year
California	0	1	0
Florida	1	1	0
Hawaii	0	0	0
Illinois	0	0	0
Montana	0	0	0
Nevada	0	0	0
New Mexico	1	1	0
New York	0	0	0
Oregon	0	0	0
Texas	0	2	0
Utah	0	1	0
Virginia	0	0	0
Virgin Islands	0	0	0
Puerto Rico	0	0	0
Total	2	6	0

Exhibit "D" contains a list of our current franchisees

Exhibit 'D" contains a list of the two franchisees who have had an outlet terminated, transferred, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business

under a franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the issuance date If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system

No franchisees have signed confidentiality clauses during the last 3 fiscal years which would limit their ability to speak openly with you about their experience with us

We do not know of any trademark specific franchisee organization associated with our system that is required to be disclosed in this item

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit "C" are our audited financial statements dated December 31, 2016 and 2015 and December 31, 2015 and 2014

ITEM 22
CONTRACTS

We have attached the following as Exhibit "A" the Franchise Agreement, as Exhibits to the Franchise Agreement "A-3," "A-4," "A-5," and "A-6," the Employee and Principal Confidential Information Non-Competition Agreements and Confidential Recipe Agreements, as Exhibit "B", the Confidential Information Application, as Exhibit "H", Area Developer Agreement, Exhibit "I", Deposit Agreement, and as Exhibit "J", Release Agreement All other contracts and agreements are to be entered into with persons of your choice and therefore cannot be attached

ITEM 23
RECEIPT

The last 2 pages of this disclosure document contain the receipt in duplicate This is a detachable acknowledgment that you have received this franchise disclosure document Please sign and date both receipts, return one signed receipt to our office, and keep one signed receipt for your records You may either mail the receipt to 155 West Malvern Avenue, Salt Lake City, Utah 84115 or fax it to 801-463-2606

SCHEDULE 1

ADDENDUM TO THE BAD ASS COFFEE COMPANY OF HAWAII, INC FRANCHISE DISCLOSURE DOCUMENT STATE REGULATIONS FOR RESIDENTS OF THE STATE OF CALIFORNIA

1 THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT

2 The California Franchise Relations Act, Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise If the franchise agreement contains a provision that is inconsistent with California law, California law still controls

3 The franchise agreement provides for termination upon bankruptcy This provision may not be enforceable under federal bankruptcy law (11 U S C A Sec 101 et seq)

4 The franchise agreement contains a covenant not to compete, which extends beyond the termination of the franchise This provision may not be enforceable under California law

5 The franchise agreement contains a liquidated damages clause Under California Civil Code Section 1671, certain liquidated damages clauses are enforceable

6 The franchise agreement requires binding arbitration The arbitration will occur at Salt Lake City, Utah with the costs being borne by you for travel to and lodging in Salt Lake City, and other costs associated with arbitration This provision may not be enforceable under California law Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and Federal laws (this or these as Business and Professions Code Section 20040 5, Code of Civil Procedure Section 128a, and the Federal Arbitration Act) to any provisions of a franchise agreement-restricting venue to a forum outside the State of California

7 The franchise agreement requires application of the laws of Utah This provision may not be enforceable under California law

8 You must sign a general release if you transfer, renew or terminate your franchise California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516) Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043)

9 Neither franchisor nor any person listed in Item 2 of the uniform disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U S C A 78a et seq , suspending or expelling this or these person from membership in such association or exchange

10 Section 31125 of the California Corporations Code requires the Franchisor to give the Franchisee a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, before a solicitation of a proposed modification of an existing franchise

11 Items 5 and 7 of the Disclosure Document are amended to include the following All initial franchise fees paid to us, will be deferred until the opening of your Bad Ass Coffee Franchise Store

SCHEDULE 2

INFORMATION FOR RESIDENTS OF HAWAII

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE

Registered agent in the state authorized to receive service of process

Department of Commerce and Consumer Affairs
Business Registration Division
Commissioner of Securities
335 Merchant St , 2nd Floor
Honolulu, HI 96813

SCHEDULE 2

ADDENDUM TO THE DISCLOSURE DOCUMENT FOR THE STATE OF HAWAII

1 The Hawaii franchise investment law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the disclosure document

2 Hawaii Revised Statutes, Title 26, Chapter 482E, Section 482E-6 provide rights to the franchisee concerning termination or non-renewal of a franchise If the franchise agreement contains a provision that is inconsistent with Hawaii law, the law will control

3 The franchise agreement provides for termination upon bankruptcy This provision may not be enforceable under federal bankruptcy law (1 1 U S C A Sec 101 et seq)

4 The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise This provision may not be enforceable under Hawaii law

5 The franchise agreement requires application of the laws of the State of Utah This provision may not be enforceable under Hawaii law

6 The franchise agreement requires *you* to purchase certain goods from designated sources of supply This provision may not be enforceable under Hawaii law unless such restrictive purchasing agreements are reasonably necessary for a lawful purpose justified on business grounds

7 Upon termination or refusal to renew the franchise, Hawaii law requires that the franchisee be compensated for the fair market value of the franchisee's inventory, supplies, equipment and furnishings purchased from the franchisor or a supplier designated by the franchisor, provided that personalized materials which have no value to the franchisor need not be compensated for If the franchisor refuses to renew a franchise for the purpose of converting the franchisee's business to one owned and operated by the franchisor, the franchisor, in addition to the remedies provided in this paragraph, shall compensate the franchisee for the loss of goodwill The franchisor may deduct from such compensation reasonable costs incurred in removing, transporting and disposing of the franchisee's inventory, supplies, equipment, and furnishings pursuant to this requirement, and may offset from such compensation any monies due the franchisor

8 Item V and VII of this disclosure document and the Franchise Agreement are modified to add the following paragraph

> Payment of all initial franchise fees owed to the franchisor by the franchisee will be deferred until 30 days after all initial obligations owed to the franchisee under the franchise agreement or other agreements have been fulfilled by the franchisor and the franchisee has commenced doing business pursuant to the franchise agreement

Effective Date

SCHEDULE 3

ADDENDUM TO THE DISCLOSURE DOCUMENT FOR THE STATE OF VIRGINIA

FOR RESIDENTS OF THE STATE OF VIRGINIA

Item 5 of the FDD is modified as follows

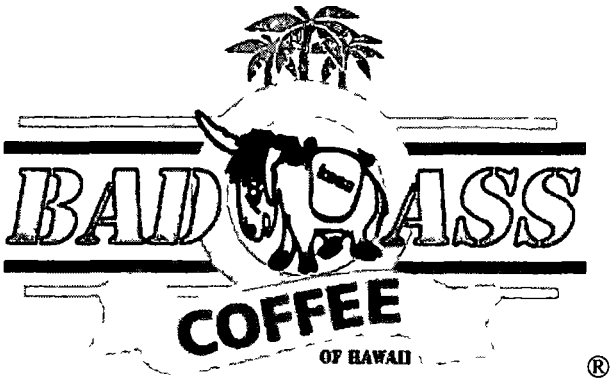
The Virginia State Corporate Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement

Item 17h of the FDD is modified in part as follows

Under Section 13 1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable

EXHIBIT "A"
TO THE FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT
AND ITS EXHIBITS



FRANCHISE AGREEMENT

By and Between

BAD ASS COFFEE COMPANY OF HAWAII, INC

and

_____

(Franchisee)

BAD ASS COFFEE OF HAWAII®
FRANCHISE AGREEMENT

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A-8	Site Location Agreement
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BAD ASS COFFEE COMPANY OF HAWAII, INC
FRANCHISE AGREEMENT
(_____)

THIS FRANCHISE AGREEMENT ("Agreement") is entered into and made effective as of the _____ day of _____, 20__ by and between **BAD ASS COFFEE COMPANY OF HAWAII, INC** , a Utah corporation (hereinafter referred as "Franchisor" and at times as "We,' "Us" or "Our" as further defined in Article XXI below) and _____, **LLC/INC** (hereinafter referred to individually and collectively as "Franchisee" and at times as "You" or "Your" as further defined in Article XXI below)

WHEREAS, We have developed a system for the operation of a retail coffee store known as Bad Ass Coffee of Hawaii®, offering to the public various coffee beverages and other related products and services (hereinafter "Franchise Business" or "Bad Ass Coffee of Hawaii® Business") The system Includes specific Marks, interior design, store layout and decor, color schemes, standards, Manuals, recipes, menus, operating procedures and marketing concepts, business formats, specifications for and the use of certain equipment, the sale of products, food and supply items, and the use of confidential information (herein at times the "System ' and at times the "Bad Ass Coffee of Hawaii® System"), and

WHEREAS, We will provide You with Our confidential Manual and materials as created by Us, and

WHEREAS, You are desirous of entering into an agreement with Us so as to be able to obtain the rights to operate a Franchise Business using the System developed by Us, and

WHEREAS, You declare You have had a copy of the Bad Ass Coffee of Hawaii® Franchise Disclosure Document for at least 14 calendar days or 10 business days, whichever is applicable, prior to signing this Agreement or making any payment to Us, and

WHEREAS, You declare that You have fully investigated and familiarized Yourself with the essential aspects and purposes of the Franchise Business and System and have been advised by counsel chosen by You of the terms and conditions of this Agreement and agree that Your consistent and uniform presentation of the System and Franchise Business are essential, and

WHEREAS, Article XXI contains certain definitions which apply to this Agreement

NOW, THEREFORE, in consideration of the mutual covenants, agreements, recitals, obligations, terms and conditions herein contained, and the acts to be performed by the respective parties hereto, the parties hereto agree as follows

ARTICLE I
AWARD OF FRANCHISE

1 1 Award of Franchise We hereby grant to You, and You accept, subject to the terms, conditions and obligations herein, the non-exclusive, non-transferrable, non-sublicenseable

personal right to establish and conduct a Franchise Business as a franchisee and the right to use the System and the Marks only as specifically set forth herein This right is granted for use only at a single location approved by Us ("Premises") as set forth on Exhibit "A-1" attached hereto and by reference made a part hereof Your exclusive territory is limited to Your Premises, but we do provide a general non-exclusive protected territory around Your Premises (hereinafter referred to as the "Territory') You agree to operate Your Franchise Business at the Premises within the Territory approved by Us in strict compliance with the terms and conditions of this Franchise Agreement and the Manuals

1 1 1 Territory Rights Except as set forth in Section 1 3 below, We will not establish or operate a traditional company-owned outlet, or grant to any person or entity a franchise within the Territory using the same or similar System as that licensed by this Agreement Your Territory is protected, meaning We will generally not place another Bad Ass Coffee of Hawaii® franchise unit within two (2) driving miles of Your Premises, but this may be changed depending on the density of the population and the location of Your Premises

1 1 2 Population Increase Your Territory may be reasonably adjusted based on increases in population Generally, for every increase of 10,000 or more in the population of Your Territory, We have the right to sell or add an additional franchise unit in Your Territory

1 2 Scope of Franchise Operations You must at all times comply with Your obligations hereunder and must continuously use Your best efforts to promote and operate Your Franchise Business You must utilize the Marks and System to operate all aspects of Your Franchise Business in accordance with the methods and systems developed and prescribed from time to time by Us, all of which are a part of the System

1 3 Franchisor Reservation of Rights All rights not specifically granted to You in this Agreement are reserved to Us Nothing contained herein will prevent Us from granting the right to establish or operate, or Us establishing, owning and operating a Franchise Business or similar operation outside of the Territory Furthermore, We and Our affiliates expressly reserve the right to sell, market and distribute all Bad Ass Coffee of Hawaii® products in Your Territory and elsewhere using other marketing strategies and distribution channels Including, but not limited to, catalog sales, mobile units, direct sales, and the sales to and through stores, grocery stores, convenience stores, wholesale outlets, the Internet, and/or co-branding with others without compensation to You We also reserve the right to set up a mobile unit program for our franchisees You may not sell Our products and/or services using such reserved marketing strategies and distribution channels without Our prior written permission You expressly acknowledge and agree that this license is non-exclusive, and that We retain among other rights, the right, in Our sole discretion 1) to grant other franchises or licenses for Our trademarks in addition to those already granted to existing franchisees, 2) to develop and establish other franchises or licensed systems for the same or similar products or services utilizing similar marks, or any other marks and to grant franchises or licenses thereto, and 3) to use the licensed Marks, in connection with the manufacture and sale of products at wholesale and at retail

1 4 Entity Franchisee If You are operating as a partnership, corporation, or limited liability company, You must provide to Us a corporate, limited liability company or partnership

resolution signed by all directors, members or partners, as appropriate, designating the principal contact in connection with Your Franchise Business This principal contact must be a general partner, manager or controlling shareholder, and must be listed on Exhibit "A-2" Such representative will have the authority to speak for and bind You in all matters pertaining to this Agreement and Your Franchise Business and all other matters pertaining to Your Franchise Business You agree not to use Our Marks nor any other name similar thereto in the name of any corporation, partnership or other entity owned or formed by You, whether to own or operate Your Franchise Business or otherwise However, You are required to file a DBA as set forth in Section 3 9

1 5 Restriction of Rights The rights and privileges granted to You under this Agreement are personal in nature This Agreement is granted solely for the operation of a Franchise Business at the Premises, and will not extend to the operation of a Franchise Business or any other use of the System from any other location within or outside Your Territory, or in any other manner, except as may be allowed by this Agreement You acknowledge that We have the sole rights in and to the System and that Your rights to use any of the System is granted by Us solely pursuant to the terms of this Agreement

1 6 Franchisor Mergers & Acquisitions You agree that the System needs to have the flexibility to combine with other businesses that may be in the same or similar industry or otherwise Such combinations have the potential to work to the benefit of all members of the System as a whole Therefore, notwithstanding anything to the contrary in this Agreement or otherwise, You agree that We can acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses whether competitive or not, with retail or other facilities located anywhere, and Including arrangements in which 1) the retail or other facilities are, or are not, converted to the System or other format or brand (Including using the System or Marks), or 2) the System is converted to another format or brand, maintained under the System or a different system You agree to fully cooperate with any such proposed merger and conversion at Your expense

ARTICLE II
TERM AND SUCCESSOR FRANCHISE

2 1 Term This Agreement will be effective when executed by both You and Us The franchise term will be for a period of five (5) years, unless terminated earlier pursuant to Article XI herein If We are required by law or otherwise to give You notice before the termination or expiration of this Agreement, and fail to do so, this Agreement will remain in effect from month-to-month until We have given the required notice

2 2 Successor franchise If You are not in default of the terms and conditions hereof and have 1) complied with and timely met material terms and conditions of this Agreement throughout the initial term, 2) complied with Our material operating and quality standards and procedures and any required modification to such standards and procedures, 3) timely paid all monetary obligations owed to Us during the term of this Agreement, and 4) You are not subject to any pending litigation or governmental proceeding which could have a material adverse effect upon You or Your Franchise Business, You have the right to be awarded a successor franchise

("Successor Franchise") upon the expiration of the original term for an additional term of ten (10) years by giving Us written notice by certified mail or personal delivery at least one hundred eighty (180) days and not more than one (1) year prior to the expiration date of the term hereof You may also be awarded an additional Successor Franchise term of ten (10) years upon expiration of the first Successor Franchise term as provided above for a total of twenty five (25) years counting the original and Successor Franchise terms Your failure to give such notice will constitute an election not to enter a Successor Franchise Agreement (defined below) If You fail to enter a Successor Franchise Agreement for any reason but continue to operate Your Franchise Business, at Our election You will be deemed to have renewed on a month-to-month basis and You will be required to abide by Our then-current fees for royalty, marketing and others as set out in the Manuals Your month-to-month Franchise Business may be terminated only by Us upon thirty (30) days prior written notice to You for any reason whatsoever

2 2 1 Notice of Non-Approval If We, after receipt of Your notice of election, decide for good cause, not to approve the Successor Franchise, We will give You such notice of non-approval as required by law

2 2 2 Successor Franchise Agreement If approved as a Successor Franchise, You will be required to execute Our then-current form of Our successor franchise agreement ("Successor Franchise Agreement") Including personal guarantees and to sign a general release of all claims against Us arising from this Agreement, the relationship created herein or Your Franchise Business If You fail to execute such a release, the signing of the Successor Franchise Agreement will be the equivalent of the granting of such a release The Successor Franchise Agreement will supersede in all respects the terms and conditions of this Agreement, and You will be obligated to pay royalties and other continuing fees at the then-existing levels required to be paid by new franchisees You must sign and return to Us the Successor Franchise Agreement within ninety (90) days prior to the expiration of the then-current term, or You will, at Our election, be deemed to have withdrawn Your request to enter into a Successor Franchise Agreement and this Agreement will terminate at the expiration of the term then in effect **It is acknowledged by You that the form of the Successor Franchise Agreement in effect at the time may contain economic, royalty, marketing and other fees and charges, territorial, and other changes in material provisions different from those contained in this Agreement, Including terms affecting payments to Us or Our affiliates** You will make all necessary arrangements to continue the occupancy of Your existing Premises through the Successor Franchise term(s), unless We give written permission to relocate Your Premises

2 2 3 Successor Franchise Fee If approved for a Successor Franchise, You must pay to Us a non-refundable Successor Franchise fee of Two Thousand Five Hundred dollars ($2,500), payable in full at the time of execution of the first Successor Franchise Agreement You will be obligated to pay royalties, marketing fees and other continuing fees charged by Us at the then-existing levels required to be paid by and under the policies established for new franchisees In addition to the signing the then-current form of Successor Franchise Agreement, You acknowledge and agree that We can require You, at Your expense, to reasonably renovate, remodel, redecorate, resign, refixture and/or otherwise refurbish Your Franchise Business and Premises to the extent and in the manner specified by Us to conform with and bring it up to the

standards and image of new franchises being opened and/or licensed by Us at the time the Successor Franchise takes effect

2 2 4 Successor Franchise Training You and Your manager(s) must also attend and successfully complete any training, certification and other programs at such times and locations as We specify You will pay the expense of travel, meals, lodging, and other related costs for such training

ARTICLE III
INTELLECTUAL PROPERTY

3 1 Intellectual Property You acknowledge that We and Our affiliates have the sole right to license, own and control the Marks, System, all copyrights, confidential information, trade names, trade dress and other Intellectual Property and that such will remain under Our sole and exclusive ownership and control

3 2 Use of Intellectual Property You have a non-exclusive right to use the Marks and other Intellectual Property only in connection with Your Franchise Business and in accordance with Our Manuals and this Agreement You understand and agree that the use of the Intellectual Property, System and goodwill are all temporary benefits and expire with the termination or expiration of this Agreement You expressly covenant that during the term of this Agreement and after the expiration, transfer or termination thereof, You will not 1) directly or indirectly contest or aid in contesting the validity of Our ownership of the Intellectual Property, 2) in any manner interfere with or attempt to prohibit Our use of the Intellectual Property and derivatives thereof or any other name, trademark or service mark that is or becomes a part of Our System, or 3) interfere with the use of the Intellectual Property by Our other franchisees or licensees at any time You agree to use the Intellectual Property and System only in connection with the operation of Your Franchise Business and only in the manner allowed by this Agreement and the Operational Standards established by Us from time to time, and only so long as You fully perform and comply with all the terms, conditions, and covenants of this Agreement and Our operations, policies and procedures We prescribe from time to time

3 3 Our Marks You acknowledge that as between You and Us, the Marks and derivatives thereof are valid trade names, trademarks and service marks owned by Us or licensed to Us You understand that, by agreement, an unrelated party has the right to use the name "Bad Ass Cafe" for restaurant and carry-out food services and certain clothing and accessory items

3 4 Use of Marks You will only use Our Marks licensed by this Agreement and only with the letters "TM," "SM" or "®," as appropriate and as instructed by Us, whenever and wherever such Marks are used In addition, You will not use Your own name or any other name service or product in connection with any of Our Marks without Our prior written consent You are prohibited from using any Mark in connection with the performance or sale of any unauthorized service or product or at any location not approved in writing by Us You agree not to use the Marks in any manner that would or may cause the Marks or the System to be subject to any ill repute or negative publicity You will not use the Marks on any inter-company documents to identify Your Franchise Business or entity (Including employee manuals, handbooks, emails, letterhead) or on

business checks or bank accounts All communications with Your employees will be under Your entity name

3 4 1 Cooperation You agree to execute any and all additional papers, documents and assurances in connection with the Marks as reasonably requested by Us and agree to fully cooperate with Us and any of Our other franchisees or licensees in securing all necessary and required consents of any state agency or legal authority for the use of the Marks or any other name, trademark, service mark, logo or slogan that is now or later becomes a part of Our System

3 4 2 Use in Marketing You have the right to use the Marks to market only in the Territory You are prohibited from using any licensed Marks in connection with the sale of any product or service not expressly authorized in the Manuals or otherwise in writing by Us All other use of the Marks in marketing must be with Our prior written approval as set forth in this Agreement and in the Manuals

3 4 3 Modification of Marks You agree that We have the right, in Our reasonable discretion, to require You to change, modify or discontinue the Marks or to use one or more additional trademarks, service marks, logo types and/or other symbols in connection with the operation of the Franchise Business In that event, You agree to bear the cost of using such additional or modified Marks or items in accordance with Our reasonable directives

3 4 4 No Registration You agree not to make application for registration or other protection of any of the Marks, or any other trademarks, service marks, symbols, names, slogans, logos, trade names or any items that are similar or derivatives therefrom in any jurisdiction without Our prior written consent and then only upon the terms and conditions specified by Us in connection therewith

3 4 5 Compensation and rebates We reserve the right to require that all items and goods bearing Our Marks, other trademarks or service marks, or private label be purchased from Us or businesses designated or approved by Us We may derive income through mark-ups on such items and goods, or We may receive a fee or other consideration from other suppliers

3 5 Copyrights All right, title and interest in and to all materials, Including but not limited to, all artwork and designs, created by Us, and used with the Marks or in association with the System ("Copyrighted Materials") are Our or Our affiliate's sole and exclusive property Additionally, all Copyrighted Materials whether created by or used by You or any other person or entity retained or employed by You or Us are "works-made-for-hire" as defined in the Copyright Act Section 101 of Title 17 of the United States Code ("Works-for-Hire"), are Our sole and exclusive property, and We are entitled to use and license others to use the Copyrighted Materials unencumbered by moral rights If the Copyrighted Materials are not Works-for-Hire, or rights in the Copyrighted Materials do not automatically accrue to Us, You agree to irrevocably transfer, assign and agree to assign to Us, Our successors and assigns, without compensation to You, the entire right, title, interest and ownership in the Copyrighted Materials in perpetuity throughout the world in and to any and all rights, Including all copyrights and related rights, in these Copyrighted Materials, which You and the author of these Copyrighted Materials warrant and represent as being created by and wholly original with the author You agree to execute any document necessary to

effectuate the transfer and assignment Where applicable, You agree to obtain any other assignments of rights in the Copyrighted Materials from another person or entity necessary to ensure Our rights in the Copyrighted Materials as required in this Section To the extent You have any moral or similar rights in the advertisement, materials or derivative, You expressly waive those rights

3 6 Manuals You agree that the Manuals and other material provided to You by or through Us will remain Our sole property and must be returned to Us at Our discretion You acknowledge that Our recipes, menus, formulations, product specifications and the contents of the Manuals provided to You by or through Us, and Your knowledge of Our recipes, menus, formulations, ingredients, processes, services, products, know-how and the System, are secret, unique and/or confidential and contain trade secrets and other material proprietary to Us You agree not to disclose the contents of the Manuals and proprietary items or materials set forth above to unauthorized persons and to follow the procedures set forth in Section 3 10 below to prevent unauthorized disclosure to any person Such disclosure would cause irreparable harm You agree to return all Manuals and all copies of all or any parts thereof and all other documents containing confidential or proprietary information to Us upon the termination or expiration of this Agreement or at such times as may otherwise be directed by Us You agree not to copy or otherwise duplicate in any format Our Manuals, recipes, formulas or any other proprietary materials

3 7 Sole Control You agree that We will have the sole control over any legal or administrative action concerning the proprietary names, Marks and other Intellectual Property You must promptly notify Us in writing of any claim, demand or suit by any person, corporation or other entity based upon or in connection with any of the Intellectual Property licensed hereunder in which We have an interest In the event We undertake the defense or prosecution of any litigation pertaining to any such Intellectual Property, You agree to execute any and all documents and do such acts and things as may, in the opinion of Our counsel, be necessary to carry out such defense or prosecution If We fail to undertake action within a reasonable time after receipt of Your notice regarding any such claim, demand or suit, then You may, with Our prior written consent, but You will not have the obligation, to undertake the defense of any such proceeding and will do so at Your sole cost and in strict coordination and oversight with Us, and You may not do any act or make any claim which is contrary to or in conflict with Our rights in the Intellectual Property

3 8 Goodwill You acknowledge that valuable goodwill is attached to the Marks and System, and that You will use the same solely in the manner prescribed by Us and will carry out Your Franchise Business under such names and Marks in accordance with operational standards established by Us from time to time Any and all goodwill associated with the Marks and System, Including any goodwill actual and potential customer data and lists ("Customer Data") that might be deemed to have arisen through Your activities, will be Our sole property and inures directly and exclusively to Our benefit, except as otherwise provided herein or by applicable law

3 8 1 Customer Data You have a royalty-free non-exclusive right to use the Customer Data during the term of this Agreement You must provide Us copies of all Customer Data upon request You agree to abide by all applicable laws pertaining to the privacy of consumer, employee and transaction information, and if We allow You to use the Customer Data to transmit

advertisements to customers and potential customers, You will be solely responsible to comply with the laws pertaining to the sending of emails, including the CAN-SPAM Act of 2003

3 9 Use of Name Within thirty (30) days of signing this Agreement, You must file for a Certificate of Assumed or Fictitious Name or DBA in the manner required by the law in the state where Your Franchise Business is located so as to notify the public that You are operating Your Franchise Business as an independent business pursuant to this Agreement, designating Your assigned franchise unit number in such filing Failure to do so is a default of this Agreement You must provide Us with a copy of Your dba registration and/or certificate You will display a standard sign and/or plaque, as may be provided or required by Us, at Your Franchise Business location indicating that the business is independently operated and owned as a franchised business

3 10 Maintaining Secrecy You agree to 1) fully and strictly adhere to all security procedures prescribed by Us in Our sole discretion for maintaining the secrecy of proprietary information, 2) disclose such information to Your employees only to the extent necessary to market Our products and services and for the operation of the Franchise Business in accordance with this Agreement, 3) not use any such information in any other business or in any manner not specifically authorized or approved in writing by Us, and 4) exercise the highest degree of diligence and make every effort to maintain the absolute confidentiality of all such information during and after the term of this Agreement

3 11 Changes to the System If You or We, during the term of this Agreement or any interim period, conceive or develop any improvements, changes, modifications, enhancements or additions to the System, Copyrighted Materials, website or any other documents or information pertaining to or relating to the System, or any Intellectual Property related to the System or any marketing and promotional ideas or inventions related to the System whether implemented in the System or not (collectively, the "Improvements'), You will fully disclose the Improvements to Us, without disclosure of the Improvements to others and will obtain Our written approval before using or implementing these Improvements Any of these Improvements may be used by Us and all other franchisees without any obligation to compensate You You will assign and do hereby assign to Us, all right, title and interest in and to the Improvements, Including the right to grant licenses for use of any of these Improvements At Our discretion, We reserve the right to make application for and own Intellectual Property relating to any such Improvements, and You will cooperate with Us in securing these rights We may also consider such Improvements as Our property and trade secrets At Our discretion, We may authorize You to utilize any Improvements that may be developed by You, Us, or other franchisees

ARTICLE IV
CONSTRUCTION, COMMENCING OPERATIONS AND LEASE

4 1 Location of Premises You are required to purchase or lease suitable real property from which to operate Your Franchise Business You must not commit to purchase or lease any real property or commence construction unless and until You have Our written approval of the proposed location Your Premises must strictly comply with local zoning, state and federal laws, rules and regulations

4 1 1 Location Approval We must approve Your proposed location However, it will be Your responsibility, at Your sole cost and expense, to select Your Premises site within Your Territory You must provide Us with the street address of the proposed site and such other information as We request, Including pictures or existing brochures of the proposed site Our decision to approve or disapprove the proposed site is based upon the following general criteria competition, access, appearance, visibility, traffic patterns, general population, parking, square feet and general vicinity **We do not prepare demographic studies or otherwise evaluate the potential success of Your proposed site, nor do We provide You with a site checklist or other similar information, and We do not warrant or guarantee the success of the location or site** Location approval should be completed by Us within four (4) weeks after You have notified Us that You have selected a prospective location

4 2 Construction Any construction of the Premises must be done in strict accordance with the specifications approve by Us, but it is Your responsibility to verify that the plans confirm to federal, state and local laws You must commence construction of the Franchise Business facilities in strict accordance with the plans and specifications approved by Us and construction must be completed and the store open within twelve (12) months from the date hereof

4 2 1 Design of Premises You are required to follow Our interior and exterior design specifications for the exterior and interior finish of Your Premises, as set forth in Our Manuals, at Your cost

(i) The interior package Includes 1) on-site consultation and or review of floor plan/evaluation/research/influence, 2) building a scale foam core model of the physical store, 3) developing the vision and design for the interior of the store, 4) placing the design elements in the scale model, 5) create and submit outline to the contractor's for any ancillary electrical or plumbing that arrives through the design process, 6) order and ship the materials and elements required for design completion, and 7) crew will arrive and produce the interior design to completion The cost of the store Includes the following expenses design elements (lighting fixtures, palm trees, neon, surfboards, print, corrugated metals etc materials (paint, lumber, hardware, foam, etc) labor, housing, and travel You will contract directly with Land Mind Productions for these services This interior package does not include 1) cabinets and counter tops, 2) sound system, 3) electrical contracting, 4) plumbing contracting, 5) permanent construction contractor costs, and 6) disposal of trash or any construction debris Your landlord must provide You with a shell space that complies with Our standard vanilla shell specifications

4 2 2 Abandonment of Construction Abandonment of construction or stoppage of construction for six (6) or more weeks due to Your fault or neglect will be grounds for terminating this Agreement

4 2 3 Approval of Construction You may not operate Your Franchise Business if construction, improvements and fixturization do not conform to Our approved specifications and failure to correct any unauthorized variance for such plans and specifications within thirty (30) days after written notice from Us will be grounds for terminating this Agreement We have the right to supervise and inspect all construction to assure compliance with approved plans and specifications

4 3 Commencing Operations You are required to commence operations not later than twelve (12) months from signing this Agreement and not later than ten (10) days following completion of Your Premises, and You must give Us not less than fifteen (15) days prior written notice of the opening We have the right to inspect and approve Your Premises prior to opening

4 3 1 Failure to Commence Operations If You fail to commence operations as provided above, this Agreement is subject to termination by Us, at Our option You will not receive a refund

4 4 Equipment You are required to obtain by purchase or lease all inventory, tools, and equipment in accordance with Our specifications and as may be necessary for proper and efficient operation of Your Franchise Business and maintain such inventory, tools, and equipment in good working order

4 5 Lease

4 5 1 Premises You must provide Us with written notice of the location and mailing address of Your Premises We have the right to review all leases relating to Your Franchise Business prior to execution Any lease or other document of occupancy of the Premises (the "Lease") must include a provision allowing the assignment of the Lease to Us or Our nominee, at Our option, in the event this Agreement expires or is terminated for any reason You must also deliver an executed copy of the Lease to Us within fifteen (15) calendar days after execution If You own the Premises, You hereby agree to lease the facilities to Us upon expiration or termination of this Agreement at a rental not to exceed its fair market rental value

4 5 2 Assignment of Lease You hereby assign and transfer all rights and interest in and to the Lease to Us to be effective upon Our election when this Agreement expires or for any reason is terminated by either You or Us In such event, We will have the right, but not the obligation, to accept the assignment and assume the Lease or execute a lease with You as provided below You are required to have Your landlord consent to an assignment of the lease before the lease agreement is signed The Landlord's consent is attached hereto as Exhibit "A-6" and by reference made a part hereof We have the right to assign the Lease to another franchisee

4 5 3 Assumption of Lease We will have forty-five (45) days from the date of expiration or termination of this Agreement, whether terminated by Us or You, to exercise Our right and option to take and assume or make the Lease for the Premises If the option is exercised, We will notify You and the Landlord of Our exercise within the option period In such event, You agree to bring all obligations under the Lease current as of the date of possession by Us, as well as to indemnify Us against all losses and costs arising by virtue of or attributable to the period of Your possession of the Premises All taxes, utilities and rentals will be prorated between Us and You as of the date of Our possession We will not be obligated to pay Your arrearages After the date of possession, We agree to indemnify You against all Lease obligations attributable to the period of Our possession of the Premises You agree that no compensation for the Lease is payable by Us to You unless the Premises are owned by You The Lease will be transferred to Us without the payment of any kind to You by Us for the Lease other than the indemnification provided above

4 6 Relocation of Premises You are not allowed to relocate Your Premises without Our prior approval In Our sole discretion, You may be required to attend an initial training program if You choose to move Your Premises

4 7 Limitation of Premises You are not allowed to perform any other services or sell products from Your Premises other than in association with the Franchise Business and as allowed pursuant to the Manuals

ARTICLE V
FEES AND REPORTS

5 1 Initial Franchise Fee An initial franchise fee of Thirty-Five Thousand Dollars ($35,000) is payable to Us in one lump sum at the time of execution of this Agreement The initial franchise fee must be paid by wire transfer or certified check The initial franchise fee is fully earned by Us and is non-refundable No rights or privileges under this Agreement will exist until the initial fee is paid in full

5 2 Royalty You will pay a non-refundable on-going weekly royalty of six percent (6%) of Your Gross Sales The term "Gross Sales" Includes the total of all sales of all products, goods or services sold or rendered by You and income of every kind and nature arising from Your Franchise Business and tangible property of every kind sold by You during the term of this Agreement "Gross Sales" excludes bona fide credits and returns for Products and excludes amounts paid by You for sales or use taxes on the sale of any Products or services The royalty is in consideration of Your right to use the Intellectual Property and the System in accordance with this Agreement, and not in exchange for any specific services We render

5 2 1 Change in Law In the event there is a change in the law or a discovery of a law affecting the collection of royalties, You agree to allow Us to modify which sales of products, goods or services sold or rendered by You will be calculated as "Gross Sales " In no event will the modification of royalties result in Your payment in excess of the royalty set forth above in Section 5 2

5 3 Marketing Fees

5 3 1 Marketing Fund In addition to the initial franchise fee and royalty, You will agree to pay Us a weekly marketing fee of two percent (2%) of Your Gross Sales for Our marketing, marketing and promotion programs

5 3 2 Local Marketing You must also allocate and spend at least an additional one percent (1%) of Your Gross Sales every year for local marketing, marketing and promotion programs in Your Territory

5 3 3 Marketing Cooperative In the event a local marketing co-op is formed, You will be required to contribute to the marketing co-op as established and assessed by the co-op This contribution may vary in the timing of the assessment and according to the vote and rules of Your

co-op, but will not exceed Your required annual local marketing amount in any single year, unless a majority of members in Your co-op vote to increase the contribution amount Monies spent for co-op marketing, if any, may be counted in satisfying the above-referenced local marketing requirement

5 4 Calculation and Reporting The calculation, reporting and payment of the royalty and marketing fee specified in Sections 5 2 and 5 3 above will be made as follows

5 4 1 Gross Sales Report You will forward to Us by email, or other electronic reporting program We may establish from time to time, not later than Friday of the following week, a report of the financial activity of the immediately preceding week showing all monies received or accrued, sales or other services performed and such other information concerning Your financial affairs, as We may reasonably require For purposes of this Agreement, such information will be referred to as the "Gross Sales Report " You agree to promptly provide such reports to Us as may be required by this Agreement, in the Manuals, which may be amended from time to time, or as may be otherwise reasonably required from time to time by Us We reserve the right to require all reports to be submitted daily in the future

5 4 2 Payment Due Date All royalty, marketing fees and other fees must be paid in accordance with Our then-current electronic funds transfer, ACH or other automatic withdrawal program or as specifically directed by Us Currently, the royalty and marketing fees as shown and calculated on the Gross Sales Report are due and payable and must be received by Us or credited to Our account by pre-authorized bank debit and automatically withdrawn from Your Operating Account ("Operating Account" is defined as that account into which all receipts are deposited) not later than 3 00 p m Mountain Time on Friday of each week for the previous week's sales (Monday through Sunday) (the "Due Date") We reserve the right to require daily payment of all royalty, marketing, and other fees in the future You agree not to have more than one Operating Account

5 4 3 Late Fees If the required royalty and marketing fees and Gross Sales Report or any other required reports or fees are not timely received by Us as set forth above, an assessment of Twenty-Five Dollars ($25) per day for each day the fees are not received by Us and Twenty-Five Dollars ($25) per day for each day the report has not been received by Us, up to a maximum of Two Hundred and Fifty Dollars ($250) per month per fee or report, which is not timely received by Us These fines are due within ten (10) days notice to You, and the amounts may be adjusted by Us from time to time in the Manuals

5 4 4 Interest In addition, all royalty, marketing fees and other fees not paid when due will be assessed and accrue interest from the Due Date to the date of payment, both before and after judgment at the rate of eighteen percent (18%) per annum or the maximum rate allowed by law, whichever is less In no event will any amounts be charged as interest or late fees or otherwise which exceed or violate any applicable legal restrictions Unpaid interest charges will compound annually

5 4 5 Taxes If there is hereafter assessed any nature of sales tax or use tax or other tax on royalties or marketing fees or other sums previously or hereafter received by Us under this Agreement ("New Tax"), then in addition to all royalties, marketing fees and other payments

to be made by You as provided in this Agreement, You must also pay Us or the taxing authority, a sum equal to the amount of such New Tax Any New Tax paid to Us will be paid when due to the taxing authority

5 5 Financial Statements You must provide Us with monthly financial statements, Including a profit and loss statement in accordance with the standard profit and loss statement template and balance sheet template required by Us to be used by You in Your Franchise Business, by the end of the following month In addition, You must submit to Us within ninety (90) days after the end of each calendar year during the term of this Agreement, a complete financial statement for the preceding calendar year, Including profit and loss statement and balance sheet, which has been reviewed and certified by an independent public accountant The financial statement and accompanying documents do not need to be audited unless specifically requested by Us, at Our discretion Upon our request, You must also send Us a copy of Your state and local sales tax returns each quarter and a copy of Your annual income taxes each year Such returns are to be received by Us no later than thirty (30) days following the filing due date

5 5 1 Access and Use of Financial Records We or Our certified public accountants or other duly authorized agent, will have the right during normal business hours to conduct computer and other audits and to examine and make copies of Your books, records, financial statements and sales and income tax returns, and You agree to keep complete and accurate books and records of the operation of Your Franchise Business

5 5 2 Audit of Books and Records In the event that any audit or investigation discloses a deficiency of two percent (2%) or more of the Gross Sales in the computation or payment of the royalty or marketing fee due Us, You must immediately pay Us the amount of the deficiency, the appropriate fee for late charges, and You must reimburse Us for the total expense of the audit or investigation, Including the charges for the accountant and the travel expenses, room, board and other costs incurred in connection with the audit Your failure to report Gross Sales for any time period or Your failure to retain and have available readable and organized required records will be deemed an understatement by more than two percent (2%)

5 6 Application of Payments We can apply any payments received from You to any past due or then-current indebtedness of Yours for royalties, marketing fees, franchise fees, purchases, late fees, interest or otherwise

5 7 No Refunds The royalty fees, marketing fees and other fees set forth in this Agreement are not refundable

5 8 Funding You are solely responsible for obtaining all funding for Your Franchise Business Failure to obtain sufficient initial funding for opening Your Franchise Business is grounds for termination of this Agreement

5 9 Customer Complaints If We handle a customer complaint against You, You must pay Us a fine of Twenty Dollars ($20) to Fifty Dollars ($50) per incident, plus You must reimburse Our cost to resolve the matter, if applicable

ARTICLE VI
FRANCHISEE'S OPERATIONAL COVENANTS

6 1 Business Operations In addition to other obligations, requirements and covenants set forth in this Agreement, You agree as follows

6 1 1 Compliance with Applicable Laws You will adapt, at Your expense, the specifications to Your Franchise Business location in accordance with local, state and federal laws, rules and ordinances, Including zoning laws You are solely responsible for ensuring compliance with the American's with Disabilities Act, the Patriot Act, OSHA, environmental laws, worker's compensation laws, the Affordable Care Act and all other applicable laws, ordinances and regulations or ruling of every nature whatsoever which in any way regulate or affect the operation of Your Franchise Business You agree to obtain all required permits for the operation of Your Franchise Business You agree to indemnify and hold Us harmless from any such violation or non-compliance We have not made and You have not relied on any representation that no licenses, or only certain licenses, etc , are necessary in connection with the operation of Your Franchise Business You agree to not engage in any activity or practice which results, or may reasonably be anticipated to result, in any public criticism of Our System or any part thereof You must also comply with federal, state, and local health and consumer protection laws and regulations governing the food service industry and concerning food preparation, handling, storage, truth in menu laws concerning menu item names and product labeling, nutritional claims, and local labor regulations, Including minimum age and minimum wage laws

6 1 2 Appearance and Customer Service You must establish and maintain the Premises in good repair and in a clean and attractive manner You must give prompt, courteous and efficient service to the public and otherwise operate Your Franchise Business in strict compliance with Our System and policies, practices and procedures contained in the Manuals or otherwise communicated to You in writing and promulgated or provided to You from time to time so as to preserve, maintain and enhance the reputation and goodwill of Our System We reserve the right to require that Your employees comply with any dress code, Mark, or brand-related standards that We may require, and/or otherwise identify themselves with the Marks at all times in the manner We specify while on a job for the Franchise Business If Your Franchise Business is not maintained in a clean and attractive manner based on the standards of Our System as determined by Us, You may receive a fine or charge as provided in the Manuals, or if uncured this Agreement may be terminated at Our discretion You may not alter, change or modify the System in any way without Our prior written consent and approval

(i) You agree to arrange the fixtures, signs, furniture and decor of the Franchise Business in strict compliance with the format recommended by Us and to strictly follow the System as outlined in the Manuals and to work with Our suppliers providing such items

(ii) In addition, equipment, products, interior decor items, furniture, fixtures, wall coverings, uniforms, and signs must be purchased from sources designated or approved by Us

(iii) For delivery and installation, You are required to work directly with the manufacturer or services of any approved or required products, equipment, supplies and materials We do not offer assistance in delivery or installation of any required or approved purchases

6 1 3 Signage You must have at least one (1) exterior and one (1) interior sign displaying Our Marks In addition, You agree to have the number of additional signs as provided in Our Manuals All signs to be used on, or in or in connection with Your Franchise Business must meet Our specifications and must be approved in writing by Us prior to use by You You agree to maintain all signs in good condition and to undertake such repairs and or replacements at Your expense as We reasonably determine to be necessary You are required to use the location's pylon/pole or monument sign if available

6 1 4 Training You and Your managers, if other than You, are required to attend and successfully complete Our training program prior to opening Your Franchise Business The training program is described in Section 7 4 In addition, You must attend and complete other training programs as may be specified by Us from time to time for which a fee may be charged

6 1 5 Other Agreements You agree to execute all other agreements required under this Agreement and to provide Us with a copy within fifteen (15) days of execution

6 1 6 Management You are required to personally participate in the direct and on-premise operation of Your Franchise Business but need not manage the Franchise Business full time However, Your Franchise Business must be managed by either You or a designated manager who will be required to devote his or her full time, attention and best efforts to the management and operation of Your Franchise Business You agree to devote primary attention to Your Franchise Business Your designated manager must successfully complete and pass Our initial training program before assuming management responsibilities You must maintain sufficient inventory, supplies and products and employ adequate personnel so as to operate Your Franchise Business at its maximum capacity and efficiency You and Your manager(s) must keep free from any conflicting or competing enterprises or any other activities which would be detrimental to or interfere with the operation of Your Franchise Business You understand and agree that this Agreement is granted based on Your commitment to Your Franchise Business The possible success of Your Franchise Business is largely a function of the time, skill and energy You devote to it Absentee management may significantly increase the risks associated with Your Franchise Business Although We do not require You to be involved in the day-to-day on-premises management, You are required to participate in Your Franchise Business as follows

(i) You must be directly responsible for all accounting, reporting and bookkeeping,

(ii) You must attend and complete all training and retraining courses required by Us,

(iii) You must attend any annual or special meetings of franchisees called by Us,

(iv) You must be directly involved with site selection, construction, remodeling and all financial components of the Franchise Business, and

(v) You or Your trained and designated manager must be directly involved in all personnel decisions affecting the Franchise Business

6 1 7 Operational Hours You must operate Your Franchise Business at least seven (7) days per week throughout the year (unless waived in writing by us) and at the hours We may designate You are not required to work a certain or minimum number of hours, however, You must work sufficient hours and employ adequate personnel to operate Your Franchise Business at maximum capacity and efficiency

6 1 8 Remodel and Upgrades At Your expense, You must repair, refinish, repaint, remodel, modernize, redecorate, or otherwise refurbish Your Premises from time to time as We may reasonably direct, but other than required changes to the Marks, not more often than every five (5) years (except for required changes to the Marks, which We may require at any time) to conform to the building design, color schemes and presentation of trade dress, consistent with Our then-current public image, Including, without limitation, structural changes, remodeling, redecoration of the furnishings, fixtures and decor and such modifications to existing improvements as may be reasonably necessary, such that all Our franchisees and franchise businesses will have a generally similar look and appearance In the event You relocate Your Premises to a new approved location, You must bring Your new Premises up to Our then-current standards

6 1 9 Your Employees We do not assist You with the training, hiring, managing or firing of Your employees You are solely responsible for the hiring and firing of all employees, along with the management, supervision and oversight of Your employees, and for the terms and conditions of their employment and compensation Other than initial management training, We do not assist You with training your employees

6 1 10 Insurance

(i) Minimum Limit Requirements You must at all times during the entire term of this Agreement and at Your own expense keep in full force, by advance payment(s), the following minimum insurance policies, obtained from a company rated "A" or better by A M Best & Company, Inc , which minimums may be adjusted from time to time in Our sole discretion

(a) Liability Insurance

(1) General liability insurance insuring against all liability resulting from damage, injury, or death occurring to all persons or property in or about the Franchise Business Premises (Including products liability insurance), the liability under such insurance to be not less than $1,000,000 per occurrence and $2,000,000 in the aggregate or leasehold minimum, whichever is greater (combined single limit for personal injury, Including bodily injury or death, and property damage), and

(2) Commercial auto liability Including all owned, non-owned and hired autos used in the business with a limit of liability of not less than $1,000,000 (combined single limit for personal injury, Including bodily injury or death, and property damage)

(b) Property Insurance Casualty insurance insuring all Your goods, fixtures, furniture, equipment, inventory and other personal property located on Your Premises providing insurance to the extent of 100% of the full replacement cost against loss or damage from fire and other risks normally insured against in extended risk coverage

(c) You must also maintain and keep in force all insurance on Your employees that is required under all federal and state laws Errors & Omissions with limits not less than $1,000,000 combined single limit for bodily injury and property damage per occurrence

(ii) Policy Requirements These policies must insure both You and Us and Our nominees as additional insureds against any liability which may accrue by reason of Your ownership, maintenance or operation of the Franchise Business wherever it may be located These policies will stipulate that We will receive a thirty (30) day written notice of cancellation, modification or termination Original or duplicate copies of all insurance policies, certificates of insurance, or other proof of insurance acceptable to Us must be furnished to Us together with proof of payment within thirty (30) days of issuance

(iii) These insurance coverage requirements are only minimums You need to make an independent determination as to whether increased amounts or additional types of insurance are appropriate If You fail to obtain insurance and keep the same in full force and effect, We may obtain this insurance at Our discretion and You will pay Us upon demand the premium costs Failure to obtain and maintain the required insurance constitutes a material breach of this Agreement entitling Us to terminate this Agreement We may periodically increase the amounts of coverage required and/or require different or additional coverage You will also procure and pay for all other insurance required by city, state and federal law

6 1 11 Pricing We may, to the degree permitted by law, suggest retail prices and specify maximum and/or minimum pricing You may charge for products and services If We impose a maximum price for any product or service, You may charge any price for the product or service up to and Including the maximum pricing We impose, but You may not charge any price in excess of the maximum pricing If We impose minimum pricing for any product or service, You may charge any price down to and Including the minimum pricing imposed, but You may not charge any price below the minimum pricing set by Us You can not market prices lower than Our suggested prices outside of Your Franchise Business Premises Our pricing policies are intended to benefit the System as a whole and may not maximize Your profits

6 1 12 Computer and POS System At Your expense, You must purchase or lease the computer and point of sale ("POS") system and other computer hardware and software systems designated by Us in strict accordance with Our specifications as they evolve over time Currently We require You to purchase or lease a Granbury/Coffee Shop Manager System terminal point-of-sale computer system If We adopt a different computer system, POS system or other system in the future, You must adopt it at Your expense You must modify and upgrade, or change, at Your sole

expense, Your computer system, POS system, hardware and software as We direct in writing from time to time You must provide Us full 24 hour 7 day a week access, Including online access, and the right to "upload" or "download" information to and from all POS, computer and other systems and to the information and data contained in them There is no contractual limitation on Our right to receive information through Your computer, POS or other systems You must use any software we designate from time to time You agree that You will not make any claim against Us or Our affiliates for any loss, damage, liability or expense caused by or related to failures, errors or otherwise of any computer, POS, hardware or software system

(i) Retention of Records You must record all sales at the time of the sale in Your computer and/or POS system, or other sales recordation system approved or designated by Us from time to time You must retain all POS and computer records, charge account records, sales slips, orders, return vouchers, sales tax reports and all of Your other business records and related back-up material, tax returns and financial reports for at least five (5) years following the end of the year in which the items pertain, Including after the termination or transfer of this Agreement You are required to follow Our line items as provided in Our Manuals

(ii) Merchant Account At Your expense You agree to participate in Our merchant account and other point of sale programs as set forth in Our Manuals You must apply for and maintain debit card, credit card, and other non-cash payment system using the merchant account and merchant account services as set forth in Our Manuals from time to time

6 1 13 Conferences and Seminars In Our discretion, We may hold annual conferences or "franchise meetings" on a regional or national basis for all franchisees in good standing These meetings will enable franchisees to come together to discuss improvements, new developments, mutual concerns and resolve business issues The conferences may be held at various locations chosen by Us In addition, We may charge a conference fee, and the cost of meals, lodging, employee salaries and travel to such meetings must be borne by You We may conduct additional seminars and/or franchise meetings to discuss sales techniques, personnel training, bookkeeping, accounting, inventory control, performance standards, marketing programs and merchandising procedures If held, You may be required to attend, and You must pay for all Your travel and living expenses

6 2 Quality Control

6 2 1 Correction of Defects Should We notify You at any time of defects, deficiencies or unsatisfactory conditions in the appearance or conduct of Your Franchise Business, You agree to immediately correct any such item or items You agree to establish and maintain an image and reputation for Your Franchise Business consistent with the standards set forth in this Agreement, in the Manuals, or as otherwise specified by Us If You fail to do so, You may receive a fine or charge as provided in the Manuals, and this Agreement may be terminated if a non-curable default is discovered or default have occurred on multiple occasions as set forth in Article XI

6 2 2 System Compliance You agree to strictly follow Our System, the Manuals, systems, recipes, formulations, and other directives promulgated or provided by Us from time to time and to promptly implement such changes in Your Franchise Business We may approve

exceptions or changes from the uniform standards which We, in Our sole discretion, believe necessary or desirable You have no right to object to such variance or to obtain the same variance for Yourself You must at all times maintain a valid email address, known and available to Us and frequently checked by You to facilitate Our communications with You All mandatory specifications, standards, and operating procedures prescribed by Us from time to time in the Manuals or otherwise will constitute provisions of this Agreement as if fully set forth herein We may deny any or all of the above services to You while You are in breach of this Agreement or a related agreement, or in default in the discharge of any of Your obligations to Us

(i) Gift Card Program If We adopt a coupon, gift, or other discount program, You will be required to implement such program in Your Franchise Business, which may include access to a bank account, established by You, for card charges made at other of Our franchise units

(ii) Required Purchases You must purchase all of the Bad Ass Coffee of Hawaii® food and beverage products, equipment, logoed and Bad Ass Coffee of Hawaii® branded items and other items and supplies from sources designated or approved by Us We will provide You with a list of specifications for approved food and beverage products, equipment, supplies and materials

(iii) Modifications We have the right to modify, delete, add to and otherwise make systematic and other changes to the System, Intellectual Property, Manuals, and operations Including, but not limited to, change of concept, products, services, specifications, standards, requirements, policies, operating procedures, equipment, software, methods, reports, forms and sales and marketing techniques You agree to accept, comply with, be bound by, use, not object to, implement and display any and all such changes to the System or operations You will make whatever expenditures are reasonably required to implement such changes or modifications The modifications may obligate You to invest additional capital in Your Franchise Business and/or incur higher operating costs You must incorporate all such modifications within the time periods that we specify We will not obligate You to invest additional capital at a time when the investment cannot in Our reasonable judgement be amortized during the remaining term of this Agreement You are prohibited from making modifications to the System, Including to any recipes, to product packaging or any use of the Marks You must strictly adhere to the supply chain as set forth by Us, and to use only Our approved menu items, products, suppliers and vendors

(iv) Inspections You hereby consent to reasonable inspections and audits during normal business hours of Your Premises and/or service vehicles as set forth in Section 7 5 below

(v) Non-Compliance You will be subject to fines and charges as set forth from time to time in the Manuals, for non-compliance with Our mandatory policies and procedures Such fines and charges are to be paid upon billing or in accordance with Our electronic funds, ACH or other automatic withdrawal program as developed

6 3 Miscellaneous Obligations

6 3 1 Personal Guarantees If Your Franchise Business is owned by a business entity, each individual owner, partner, shareholder, member, and owner managers respectively and their spouses, who own five percent (5%) or greater interest, must each personally sign an agreement not to compete and must personally guarantee the performance of all Your obligations under this Agreement and agree to be personally bound by, and liable for, the breach of every provision of this Agreement

6 3 2 Drug Testing We may require You and Your management employees to submit to random drug testing at the time and place We feel necessary to ensure Your compliance with Our policies regarding drug use in the System, however, We are under no obligation to perform such testing on Our or Your behalf

6 3 3 Vending Machines No vending machine, cigarette machine, amusement devises, juke boxes, or other devices of similar nature, whether or not coin operated, are allowed to be installed or used on the Premises without Our prior written consent

6 3 4 Disclosure We can disclose in Our disclosure document or otherwise, any information concerning Your Franchise Business, Including Your name, address, telephone number, general financial and other information

6 4 Standards and Control Any required standards exist to protect Our interest in the System and the Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to You

ARTICLE VII
FRANCHISOR'S OPERATIONAL ASSISTANCE

7 1 Franchisor's Services We agree to the following

7 1 1 Layout and Design Counsel You in the physical aspects of setting up Your Franchise Business We will provide You with general specifications for the Premises layout, signs, equipment and interior decor You must meet Our design standards and specifications unless waived in writing by Us

7 1 2 Suppliers and Products Provide You with a list of specifications and a list of approved or designated suppliers of Bad Ass Coffee of Hawaii® food and beverage products, equipment, all logoed items and other items We do not offer assistance in delivery or installation of any of these items, this is between You and the vendor/supplier At Our discretion, at any time, We may add to or discontinue working with any of Our vendors or suppliers There is no guarantee or promise that the relationship with any of Our current vendors or suppliers will continue or be available to the System

7 1 3 Opening Assistance Provide five (5) days of training during Your opening at no additional charge This opening training will occur not more than two (2) weeks after We receive notice from You of receipt of the occupancy permit for Your store from local authorities

7 2 Operations Assistance We will furnish You with guidance relating to the general operation of Your Franchise Business and upon Your reasonable request, make Ourselves available to consult with You by telephone, email, Skype, teleconferences, or website posting during regular business hours during the continuing operation of Your Franchise Business However, for problems and training for Your POS system and other equipment and warranty items, You must consult with the respective manufacturer or supplier of those items We do not warrant any item We are not required to provide in-person assistance to You If You feel additional assistance is necessary (such as management training or motivational training for staff), We will provide such assistance to You based on advance notice, availability of personnel and Your payment of compensation at a rate of Five Hundred Dollars ($500) per day per person, or at such other rate as may be in effect at the time, plus the cost of food, travel and lodging incurred by Us In addition, We may provide You with such continuing advisory assistance in the operation of Your Franchise Business

7 3 Warranties The respective manufacturers may replace defective equipment, products or software and other items purchased pursuant to the standard limited warranties of the manufacturer, and You agree to look to the manufacturer for any defective equipment, products or software We do not manufacture any equipment, products or software and do not warrant any item We will replace defective products and other inventory items purchased directly from Us pursuant to Our standard limited warranty, if any

7 4 Training We will train You in the various practices, policies and procedures of operation of Your Franchise Business in Our training program This training will take place at Our training center in Salt Lake City, Utah You and Your manager, if separate from You, are required to attend the same training and successfully complete the training program The length of training is generally five (5) days, but could be longer if You or Your designated manager fails to successfully complete the training You and Your attendees must complete training at least two (2) weeks prior to opening Your Franchise Business Successful completion will be determined by Our trainers but may Include demonstrating knowledge of basic policies and procedures, food preparation and assembly, daily operations, record keeping, computer system competency, marketing, marketing, and customer service Failure to successfully complete training is a default of this Agreement The training instruction is provided by Us without charge to You for up to three (3) management and/or executive level persons, however, You must bear Your own travel, lodging, meals and all other living costs and expenses and salaries as well as those of Your employees at the training session

7 4 1 Additional Assistance or Training We may provide additional assistance or training as reasonably requested by You or as required by Us at Our then-current fee Our current fee for such additional assistance or training at Our facility is Five Hundred Dollars ($500) per person per day to be trained You must also bear the costs of travel, food, lodging and salaries of Your employees in connection with this training We will provide assistance or training at Your place of business for a fee of not less than Five Hundred Dollars ($500) per day plus Our expenses

for travel, food and lodging of each instructor If required by Us, Your new manager must be trained and certified within sixty (60) days of hire

7 5 Inspections We may conduct periodic evaluations and inspections of Your Franchise Business at reasonable intervals by Our duly authorized representative for compliance with the System, customer service and the standards and procedures set forth in the Manuals Our inspections may Include Your Premises, business records, operating procedures and reports, Including all computer drives and electronic storage devices, POS system, reports, account records and tax records Upon Our request and at all reasonable times, You will provide to Us (electronically or CD at Our election) digital video and/or images of the interior and exterior of Your Premises and business vehicles as set forth in the Manuals We may provide you a written report with any suggested changes or improvements for the operation or management of Your Franchise Business or detail any defaults in operations which become evident as a result of any such evaluation or inspection Fines and charges may be assessed for failure to meet Our evaluation or inspection standards in accordance with Our Manuals for such defaults, plus Our costs, or termination of this Agreement if a non-curable default is discovered Additional guidance, at Our sole discretion, will be furnished in the form of written Manuals, bulletins or other written materials, telephone consultations and/or consultations at Our offices or at Your Franchise Business in conjunction with an inspection of Your Franchise Business We have the right to communicate directly with Your manager and assistant manager concerning all matters of an operational nature

ARTICLE VIII
PURCHASE OF PRODUCTS

8 1 Approved Products and Services You agree to use, carry and provide only those menu items and other inventory items, products, goods and services that meet Our specifications and/or that are purchased from approved suppliers in accordance with Our Manuals You agree to promptly add, remove or modify any menu item, product or service upon notice from Us You are prohibited from selling, leasing or offering any products or services not authorized by Us in writing

8 2 Product and Service Specifications We or Our affiliate may derive revenue from the sale required goods and services through mark-ups in prices We charge to You for goods and supplies purchased from Us or We may receive a fee or discounts from the supplier for Your purchase of such items You agree that We and/or Our affiliates are entitled to such fees and/or other consideration Any monies paid to Us for goods or services are non-refundable

8 3 Unapproved Suppliers If You desire to purchase or sell any items from an unapproved supplier, You must submit to Us a written request for such approval or request the supplier itself to do so We may require You to submit samples, ingredient lists, and other data to permit Us to ascertain whether any such items meet Our specifications We will notify You in writing and within a reasonable time as to whether such product, item, equipment or supplies meets Our specifications There is no refund of this testing fee whether or not the requested supplier, vendor or product is approved Prior to testing, You will be required to pay a testing fee to cover Our reasonable costs and expenses of testing A supplier who is able to provide products,

equipment and/or supplies meeting Our specifications may, as determined in Our sole discretion, become an approved supplier for Your Franchise Business only or for the System as a whole We may, from time to time, make changes or alterations in the standards and specifications for the above items and approved suppliers Should We approve a new item, the rights in and title to such items will become Our property At Our discretion, We may revoke Our approval of an approved supplier upon thirty (30) days written notice to You

ARTICLE IX
MANUALS

9 1 Manuals We will loan You a copy of or allow electronic access to the proprietary and confidential Manuals You may not copy any part of the Manuals either physically or electronically The Manuals are confidential and remain Our property We have the right to update, modify, and otherwise change the Manuals at Our sole discretion in order to maintain the goodwill associated with the System and the Marks You will promptly and continuously comply, at Your expense, with all provisions of, and modifications or changes to the Manuals

9 2 Standards and Procedures We may establish, from time to time, performance procedures, standards and specifications ("Standards") for the operation of Your Franchise Business and the products and services provided We may change or update these Standards at Our discretion You must strictly follow these Standards Failure to do so is grounds for termination of this Agreement

ARTICLE X
MARKETING

10 1 Marketing Fund We have the right to institute, maintain and administer a national marketing and brand development fund (referred to as the "Marketing Fund") for such marketing, marketing or public relations programs as We, in Our sole discretion, may deem necessary or appropriate to market and promote the System, and in which You must participate The fees for the Marketing Fund are listed in Paragraph 5 3 1 You understand that some franchisees may have different marketing fees or other obligations from those described in this Agreement

10 1 1 Marketing Fund Administration We will direct all such programs, with sole discretion over 1) the creative concepts, materials, endorsements and media used in connection with such programs, 2) the source of the marketing or public relation efforts, 3) the placement and allocation of such programs, and 4) the composition of all geographic territories and market areas for the development and implementation of such programs The Marketing Fund can be operated through an entity separate from Us that has all rights and duties of Us relating to the Marketing Fund We do not have any obligation to ensure that expenditures are or will be used equally in each region or that they will be equivalent to contributions to the fund by other franchisees operating in any geographic area We will not be liable for any act or omission with respect to the Marketing Fund or otherwise which is consistent with this Agreement or which is done in subjective good faith

10 1 2 Marketing Fund Fees and Marketing The Marketing Fund may be used, in Our reasonable discretion, to reimburse Us for costs related to the administration of the Marketing Fund and any marketing, promotion and marketing efforts intended to benefit the System We may use the Marketing Fund to offset a portion of direct costs to manage and maintain the Marketing Fund, Including the payment of staff salaries and other expenses for those employees who may be involved in Marketing Fund activities You will participate in all marketing programs instituted by the Marketing Fund or by Us and We may receive payment for providing goods or services to the Marketing Fund] The Marketing Fund is not in the nature of a trust, fiduciary relationship or similar special arrangement and We disclaim any such relationship We reserve the right to use fees from the Marketing Fund to place marketing in national or regional media (Including broadcast, print or other media) We are not required to spend any amount on marketing directly in Your area or Territory Funds may be used to solicit additional franchisees and to promote the brand Any unused marketing funds in any calendar year will be applied to the following years' fund You may request an unaudited annual report of marketing expenditures within ninety (90) days of the end of each year

10 2 Marketing Cooperative At such time as We determine that there are a sufficient number of Bad Ass Coffee of Hawaii® franchises in an Marketing Area (defined below), as designated by Us, We may form a local and/or regional marketing cooperative association covering such areas as We, in Our discretion, deem appropriate, and We may disburse such funds as We believe appropriate from the Marketing Fund to any such local and/or regional cooperative marketing associations for local and/or regional marketing The required contribution amount is listed in Paragraph 5 3 3 Once established, We will provide the governing documents and make them available to all franchisees within the cooperative area Upon the formation of a local or regional cooperative marketing association, You will automatically be deemed to be a member of such association as covers the area in which Your Franchise Business is located and will be bound by any decisions made by such association upon a majority rule by members voting Voting will be on the basis of one vote per franchise unit in good standing in such association All franchisees and company and affiliate owned units, if any, within the Marketing Area will be required to join and contribute to the fund on the same basis or rate, however, company owned and affiliate owned stores are not required to participate in any cooperative The cost of marketing and promotional programs will be allocated among the member in the Marketing Area and each member will contribute equally to the local co-op fund based on a per franchise unit basis in the Marketing Area ' Marketing Area" is defined as a market with two (2) or more units in the same television, radio or newspaper market, as determined by Us We have the power to require cooperatives to be formed, changed, dissolved or merged at any time

10 3 Local Marketing Requirement You are required to market conduct locally as set forth in Section 5 3 In addition, You are required to purchase from Us, Our standard opening marketing package at a cost of Eight Thousand Dollars ($8,000) This fee is due upon execution of this Agreement and is not refundable We will consult with you in planning Your opening marketing Upon Our request, You must submit an itemized report to Us documenting proof of expenditures for local marketing in a form We may require

10 4 Sample Marketing Upon Your reasonable request We will provide You samples of marketing and promotional materials developed by Us from time to time Additional copies will be made available at cost plus ten percent (10%) for shipping and handling

10 5 Promotional Materials We may, at Our discretion and as available from time to time, send to You promotional materials and bulletins developed by Us or on Our behalf, new marketing developments and new or improved marketing techniques, which You agree to use in Your Franchise Business

10 6 Approval of Marketing You may develop marketing and promotional materials for Your use at Your cost All such materials must be approved by Us in advance and in writing in accordance with Our Manuals Marketing that has been submitted by verified receipt or submission will be deemed approved if You do not receive written approval or disapproval within ten (10) business days Any marketing You create becomes Our property and is considered a Work-for-Hire, and can be used by Us or other franchisees without compensation to You and may be made available on Our website We have the right to disapprove previously approved marketing material at any time

10 6 1 Marketing Compliance You agree that all Your marketing and promotional activities must be done in strict compliance with Our Manuals and in good taste and must reflect favorably upon Us and the System You agree to submit to Us, prior to publication, copies of all marketing, promotional and public relations materials, proposed to be used by You, Including any use of the Internet, or other electronic or Social Media along with a description of how it will be used, by what media published and such other information thereon as may be reasonably requested by Us All use of the Internet, or other electronic or Social Media by You in connection with Your Franchise Business will be specified by Us from time to time and We can prohibit or condition Your use of the Internet, or other electronic or Social Media in Our discretion

10 6 2 Internet and Social Media You may create a website and Social Media site However, all content placed on the site must be pre-approved in writing by us and must strictly comply with the policies and procedures established by us regarding websites, Social Media sites, and Internet marketing We reserve the right to restrict your right to use these sites in the future The website must be designed by our approved supplier in accordance with our specifications, at a minimum cost of $3,000 We will obtain your URL and you will be required to pay the cost All Social Media must be in accordance with our standards as described in our operations manual We will obtain a Facebook site for your store and set up the original Facebook page Our approval of your website and Social Media sites may be revoked by us at any time Failure to strictly follow our policies and procedures is grounds for termination of this Agreement

10 7 Your Obligations to Market We will work together to develop plans for growth, capturing market share and name recognition Neither We nor You are restricted from marketing Your Franchise Business in the Territory Except for the rights expressly given to You, there will be no limitation on Our rights to deal with potential or actual customers located anywhere You are allowed to market outside of Your Territory as more fully set forth in the Manuals

ARTICLE XI
BREACH AND TERMINATION

11 1 Default and Termination We may terminate this Agreement before the expiration of its term if You breach or violate and fail to cure (if curable) any material term, condition or provision of this Agreement in any respect or default in the performance or fulfillment of any material term or provision of this Agreement, Including those breaches set forth herein below Paragraphs 11 1 A-N, provide a specified cure period for certain breaches or defaults, while Paragraphs 11 1 O-BB list non-curable breaches or defaults

24-Hour Cure Period

A Health Code Violations All health code violations must be cured within twenty-four (24) hours of an inspection by Us or the applicable governmental agency overseeing restaurant safety

15-Day Cure Period

B Failure to Pay You fail to pay for any product or any franchise fee, royalty fee, purchase price, marketing fee, transfer fee, Successor Franchise fee, or other fee or amount due to Us any of Our affiliates, or other designated, approved or other suppliers or assigns, within the time period specified for such payments by this Agreement, the Manuals or an agreement specifying the payment concerned

C Failure to Accurately Report You fail to accurately report Your Gross Sales or fail to submit any reports or records required under this Agreement or the Manuals

D Default Notice of Lease Agreement You receive a notice of default under the lease agreement for the Premises

E Unauthorized Closure Your Franchise Business is closed for a period of five (5) or more consecutive days without Our prior written approval, which consent will not be unreasonably withheld or delayed, or You move the location of Your Franchise Business Premises without Our prior written approval

30-Day Cure Period

F Failure to Open You fail to open Your Franchise Business and commence operations within twelve (12) months of the date hereof or otherwise forfeit the right to transact Your Franchise Business, or fail to timely register a DBA or similar filing for use of the franchise name in the State where Your Franchise Business is located

G Non-Compliance You fail or refuse to maintain and operate Your Franchise Business in a good, clean and professional manner and in compliance with the System and Manuals or the standards of quality or uniformity otherwise prescribed by Us

H Sale of Unauthorized Products/Services You knowingly sell products, goods or services other than 1) those approved or designated by Us, 2) which fail to conform to the System and specifications, 3) which are not in accordance with the methods or specifications prescribed by Us, or 4) You fail to sell the products or services designated by Us

I Failure to Transfer Your heirs fail to affect an approved transfer within a reasonable time (not more than one hundred and twenty (120) days) following Your death or permanent incapacity (see Section 14 10)

J Failure to Allow Inspection You deny Us the right to conduct an audit of Your books and records, or to inspect Your Premises or operations, or You fail to correct deficiencies noted by Us or otherwise fail to comply with any provision of the Manuals

K Non-Promotion of Business You fail to use Your best efforts in promoting and developing Your Franchise Business, You fail to market as required under this Agreement, You fail to participate in an marketing cooperative when established by Us in Your area, or You fail to employ adequate personnel to operate Your Franchise Business at maximum capacity and efficiency

L Insurance You fail to maintain insurance as provided herein

M Violation of Laws You fail to comply with any material federal, state or local law or regulation applicable to the operation of Your Franchise Business or fail to pay when due, obligations of taxing authorities, landlords, and other obligations of Your Franchise Business

N Failure to Complete Training You or Your designated manager fail to complete the initial training, or other required management trainings

O Other Breaches Except as provided below, You fail to comply with any other provision of this Agreement or the Manuals

No-Cure Period

P Insolvency You become insolvent or commit an act of bankruptcy, or make a general assignment for the benefit of creditors or to an agent authorized to liquidate Your property or assets, or become or are adjudicated bankrupt, or voluntarily file a petition in bankruptcy or for reorganization

Q Unauthorized Duplication You duplicate the System or use the System or any part thereof in connection with any other business

R Repeated Breaches You repeatedly breach (defined as three or more times) the same or different conditions of this Agreement or the Manuals within a twelve (12) month period

S Unauthorized Use of Marks You use any Mark granted by this Agreement other than in connection with the operation of Your Franchise Business

T Public Safety Your maintenance or operation of Your Franchise Business results in a threat or danger to public health or safety

U Misrepresentations You make any material misrepresentations relating to the acquisition of the Franchise Business, or You engage in conduct which reflects materially upon the operations and/or reputation of Your Franchise Business or the System in an adverse manner

V Abandonment You abandon Your Franchise Business

W Unauthorized Transfer You attempt to Transfer, (as defined in Article XVI below) all or any part of this Agreement, Your Franchise Business, or any material portion of the property associated with Your Franchise Business, or You attempt to purport to sublicense to another any of the rights, property licensed to You hereunder, or You otherwise fail, refuse or neglect to obtain Our prior written consent or approval required hereunder

X False Reporting You knowingly or intentionally conceal revenues, maintain false books, or records or submit any false report or payment or otherwise defraud Us

Y Crimes You or any of Your owners, officers, directors, members, managers or principals commits or is convicted of or pleads guilty or no contest to, a felony, a crime involving moral turpitude or any other crime, offense or behavior that We believe is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith or Our interest therein You or Your owners, officers, directors, members, managers or principals make disparaging remarks against Us, Our parent, subsidiaries, predecessors or affiliates, Our management, Our employees, the System, or the Bad Ass Coffee of Hawaii® brand to Our other franchisees or in a public forum, Including radio, television, newspapers, the Internet, and social media or social networks Any such behavior will be damaging to Our System and goodwill and will be a material breach of this Agreement

Z Unauthorized Competition You fail to comply with the covenant not to compete during the term of this Agreement or intentionally or recklessly disclose or use the contents of the Manuals, trade secrets or confidential or proprietary information provided to You by Us in violation of this Agreement You hire or attempt to hire any employee of Ours or any of Our franchisees without written permission

AA Default of Lease Agreement Your lease agreement for the Premises is terminated

BB Illegal Drug Use You or Your officers, directors, members, managers or principals use illegal drugs or abuse prescription medication or refuse to submit to a drug test

CC Unauthorized Modification You modify in any degree by adding to or taking from or changing the contents or flavor of any recipes, formulas, spices or other proprietary food items as well as using any substitute ingredients or procedures in violation of the Manuals or this Agreement

11 1 1 Adequate Assurance When reasonable grounds for insecurity arise with respect to the performance of Your obligations under this Agreement, We may in writing demand adequate assurance of due performance and, until We receive such assurance, We may reasonably suspend any performance of Our obligations Failure to provide Us with adequate assurances within thirty (30) days, when properly demanded, will be considered a default of this Agreement for which no additional cure period will be granted

11 2 Event of Default In the event of any default by You, We will give You written notice of default specifying the default(s) and, if curable, state what You must do to cure the specific default(s) within the cure period In the event of a default by You, all of Our costs and expenses arising from such default(s), Including reasonable legal fees and reasonable charges for Our employee's time related to the default(s) must be paid to Us by You within five (5) days following Our demand for payment

11 2 1 24-Hour Curable Defaults If the default is curable as set forth in Paragraphs 11 1A above, You must cure all such defaults within twenty-four (24) hours from the date of inspection, or

11 2 2 15-Day Curable Defaults If the default is curable as set forth in Paragraphs 11 1B-E above, You must cure all such defaults within fifteen (15) days from the date of notice of default, or

11 2 3 30-Day Curable Defaults If the default is curable as set forth in Paragraphs 11 1F-O above, You must cure all such defaults within thirty (30) days from the date of notice of default, or

11 2 4 No Cure Period Defaults If the default is one which is incapable of cure as set forth in Paragraphs 11 1 P-CC above, termination is effective as of the date of the notice of default

11 2 5 Notwithstanding anything to the contrary herein, We have the right, to be exercised in Our sole discretion, to grant You an extended period of time to cure Any such extension will not be construed as a waiver of Our rights in the future

11 3 Failure to Cure Upon Your failure to cure any default within the time period specified in Paragraphs 11 2 1 and 11 2 2 above, or if You commit a non-curable default as specified in Paragraph 11 2 3 above, We may proceed to enforce any or all of the following non-

exclusive remedies in accordance with this Agreement, and the pursuit of any one remedy will not be deemed an election or waiver by Us to pursue additional remedies

11 3 1 Actionable Claim Bring an action or claim for the balance of any monies due hereunder, Including penalties and interest as provided for in this Agreement and for all other damages sustained by Us as a result of Your breach of this Agreement As part of any such action, We may accelerate the balance of any outstanding installment obligation due hereunder and bring an action for the entire accelerated balance

11 3 2 Injunctive Relief Bring an action for temporary or permanent injunctions and orders of specific performance enforcing the provisions of this Agreement and otherwise stop You from engaging in actions prohibited hereby, Including 1) improper use of the Marks or System, 2) unauthorized assignment of this Agreement, 3) violation of the covenant not to compete, and/or 4) Your failure to meet or perform Your obligations upon termination or expiration of this Agreement If We secure an injunction or order of specific performance, You will pay all reasonable costs incurred by Us in obtaining the injunction, Including reasonable attorney's fees

11 3 3 Termination Terminate this Agreement and proceed to enforce Our rights under the appropriate provisions Such termination will be effective upon delivery of a notice of termination to You without further action by Us

11 3 4 Other Remedies Seek any other remedy available to Us at law or in equity

11 3 5 Cross Default In Our sole discretion, We may terminate any other agreement You or a related entity have with Us

11 4 No Right of Termination You may not terminate this Agreement

11 5 Opportunity to Cure Prior to taking any action against Us, You agree to first give Us sixty (60) days prior written notice and an opportunity to cure any alleged act or omission If such act or omission cannot be cured within such sixty (60) day period, and We are diligently continuing efforts to attempt to cure such alleged act or omission, You will give Us such additional time as is reasonably necessary to cure

ARTICLE XII
TERMINATION AND EXPIRATION

12 1 Upon termination or expiration of this Agreement for any reason or the non-granting of a Successor Franchise, You will immediately cease to be Our Franchisee and must

12 1 1 Payments Due Immediately pay for all product purchases, royalty and marketing fees and other charges, fees and obligations owed or accrued to Us, Our affiliates or designated suppliers In addition, You will be responsible to pay Us any post-term expenses, Including attorney's fees and costs to enforce Your post-term obligations

12 1 2 Cease Use Not hold Yourself out as a Bad Ass Coffee of Hawaii® franchisee or business and immediately comply with following permanently cease to market or in any way use the System, Intellectual Property, materials, methods, procedures, processes and other commercial property, or promotional materials provided by or licensed to You by Us or in any way connected with the Franchise Business or System

12 1 3 Disassociation Take all necessary steps to disassociate Yourself from the System and Your Franchise Business, Including the removal of signs, destruction of letterheads, changing of telephone listings, telephone numbers, Internet sites and web pages and the like and to assign and transfer the telephone listing, telephone numbers, email addresses, URL's, home and other web pages and Social Media pages to Us If You fail or refuse to do so, the telephone company, URL and hosting companies, and other listing agencies may accept this Agreement as evidence of Our exclusive rights in and to such telephone number(s), Internet websites, URL's, and Social Media pages and listing and its authority to direct their transfer You hereby appoint Us as Your attorney-in-fact for the above transfers

12 1 4 Cancel DBA Take such action as will be necessary to amend or cancel any assumed name, fictitious or business name or equivalent registration, which contains any Mark of Ours or in any way identifies You as being affiliated with Our System

12 1 5 Notify Suppliers Immediately notify all suppliers, utilities, creditors and concerned others that You are no longer affiliated with Us or the System and provide proof to Us of such notification You covenant not to use any of Our trade secrets or confidential or proprietary information or materials following the termination of this Agreement and not to identify any present or future business owned or operated by You as having been in any way associated with Us or the System

12 1 6 Return Materials Return to Us by first class prepaid United States Mail, (Including originals and any copies) Our Manuals, all training, marketing and promotional aids and materials and all other printed materials and any other Confidential Information obtained by You from Us pertaining to the operation of Your Franchise Business

12 1 7 Modification of Premises You will, at Your expense, alter, modify and change both the exterior and interior appearance of Your Franchise Business Premises, to Our satisfaction, so that it will be easily distinguished from the standard or common appearance of a Bad Ass Coffee of Hawaii® business and will cease using the signs, displays, advertisements, promotional materials and the like that are unique or distinctive to the System

12 1 8 Pay Damages Pay to Us all costs, damages and expenses, Including reasonable attorney's fees incurred by Us in obtaining injunctive or other relief to enforce any provision of this Agreement

12 1 9 Proprietary Information Cease using or availing Yourself of any of Our proprietary or Confidential Information

12 1 10 Customer Data Provide Us with the Customer Data for all current, prior and expectant customers of the Franchise Business

12 1 11 General Release Execute a general release by You and Your guarantors

12 1 12 Evidence of Compliance Furnish evidence satisfactory to Us of compliance with this Article within thirty (30) calendar days after the termination or expiration of this Agreement or the non-granting of a Successor Franchise

12 2 Upon termination or expiration of this Agreement or any Successor Franchise, for any reason

12 2 1 No Compensation No payment is due to You from any source on account of any goodwill, intangible assets or other equity claimed by You arising from Your operation or ownership of Your Franchise Business, or otherwise All goodwill connected in any way with Your Franchise Business or the System belongs now and in the future exclusively to Us

12 2 2 No Refund No fees, charges, royalties, marketing fees or other payments of any kind from You to Us are refundable in whole or in part

12 2 3 No Equity You will have no equity or other continuing rights to use the System, Intellectual Property or goodwill of the Franchise Business

12 3 Survival of Provisions All of the provisions of this Agreement, which by their terms or implication apply following the expiration, transfer or termination of this Agreement, will survive and will apply following expiration, transfer or termination of this Agreement, Including Your obligation to pay all amounts owed and You will continue to observe the confidentiality, non-competition and other restrictions of this Agreement and the provisions with respect to arbitration and dispute avoidance

12 4 Our Rights If You continue to operate Your Franchise Business, or any business offering similar products and services, after transfer, repurchase, termination, or expiration of this Agreement, or non-renewal using any of the Marks or any aspect of the System, Our remedies will Include recovery of the greater of (a) all profits earned by You in the operation of Your business or similar business after such transfer, repurchase, termination or expiration, or (b) all royalties, marketing contributions and other amounts which would have been due if such transfer, repurchase, termination, Successor Franchise or expiration had not occurred

12 4 1 Additional Equitable Remedies The amounts contemplated under Section 12 4 do not represent a price for the privilege of not performing nor does the payment represent an alternative manner of performance Accordingly, as a purely liquidated damages provision, Section 12 4 does not preclude and is not inconsistent with a court granting Us specific performance or any other equitable remedies, such as an injunction, to prevent future breaches]

12 5 Cumulative Rights Our rights provided above are cumulative and in addition to any other right or remedy available at law or in equity

ARTICLE XIII
PURCHASE OPTION

13 1 Purchase Option Upon expiration or termination of this Agreement, You hereby grant to Us the right to

13 1 1 Acquisition of Assets Acquire, in Our sole discretion, all or any part of Your inventory, equipment, signs and accessories and other personal property relating to Your Franchise Business at the then-existing fair market value of such item or items as of the date of expiration, non-granting of a Successor Franchise or termination of this Agreement If the fair market value is not agreed to by the parties, the fair market value will be established by an independent appraisal The appraisal will be done at Our expense by an appraiser selected by Us No goodwill will be considered associated with Your Franchise Business or said items We must exercise this option within sixty (60) days of such expiration or termination ("Option Period") by giving written notice to You of Our intent to exercise Our option to purchase We have the right to use Your assets and Premises during the Option Period and in such case We will pay You the fair market value of such use Unless otherwise agreed by You, the purchase price as determined hereunder will be paid in cash within the Option Period If We have not notified You of Our election to exercise this option within the Option Period, it will be conclusively presumed that We have elected not to exercise Our option, and You are then free to sell or transfer such assets to any person or entity on such terms as You may so choose

13 1 2 Assumption of Lease We have the right, during the Option Period, to assume Your lease under the provisions of paragraph 4 5 3 above

13 1 3 Warranties The purchase contract for such assets and contracts, as set forth in Paragraph 13 1 1 above, will include standard representations, warranties, covenants and indemnities from You as to the assets and contracts being purchased, Including warranties of good title, absence of liens, compliance with laws, absence of defaults under contracts, litigation and tax compliance

13 2 No Goodwill We have no obligation to pay for goodwill or other intangible assets or costs of Your Franchise Business

ARTICLE XIV
SALES OR TRANSFERS OF THE FRANCHISE

14 1 Our Right of Assignment This Agreement and all rights and obligations hereunder are fully assignable and transferable, whether in part or whole, by Us, and if so assigned or transferred, will be binding upon and inure to the benefit of Our successors and assigns We may be sold or We may sell any part of or all of Our Intellectual Property or other assets to a competitive or other entity In addition, We may go public, may engage in a private or other placement of some or all of Our securities, may merge, acquire other entities or assets which may be competitive with the System or not, be acquired by a competitive or other entity, and may undertake any refinancing, leveraged buy-out or other transaction You waive all claims, demands and damages with respect to any transaction or otherwise allowed under this Section or otherwise You will fully cooperate

with any such proposal, merger, acquisition, conversion, sale or financing

14 2 No Assignment by You without Approval This Agreement is personal as to You, and is being entered into in reliance upon and in consideration of the qualifications and representations of Your qualifications and representations Therefore, neither this Agreement nor any of its rights or privileges, nor any shares or units in the ownership of Your entity or Your Franchise Business if may be Transferred (as defined below), in any manner by You or anyone else unless Our prior written approval is obtained You will provide Us with all documentation relating to the Transfer of Your Franchise Business Said approval will not be unreasonably withheld, but may be conditioned upon Our satisfaction with the character, business experience and credit rating of the proposed transferee and its partners, members or officers and controlling stockholders, if it is a partnership, corporation or limited liability company The term "Transfer" as used in Article XIV and elsewhere where capitalized, Includes any direct or indirect assignment, transfer, division, trade, sale, gift, pledge, mortgage or granting of any security interest

14 2 1 Transfers to Competitors Prohibited In order to maintain the confidentiality of the proprietary information of the System, You agree that as a condition to becoming a Our franchisee, You cannot Transfer any part of this Agreement or any part of Your entity, if applicable, to a competitor of Ours or an affiliate of a competitor of Ours without Our explicit written permission Any such Transfer without Our written approval will be considered void ab initio

14 3 Qualifications of Transferee In determining the acceptability of the proposed Transferee, We will consider, among other things, Our then-current standards for new franchisees, Including the net worth, credit worthiness, background, training, personality, reputation, and business experience of the proposed Transferee, the terms and conditions of the transfer and any circumstances that would make the transfer not in the best interests of Us or the System, Including the proposed purchase price We may meet and candidly discuss all matters relating to Your Franchise Business with the potential transferee In no case will You or a proposed transferee rely on Us to review or evaluate any proposed Transfer Neither We nor Our affiliates will be liable to You or the transferee or any other person or entity relating to the Transfer and You agree to indemnify and hold Us harmless from any liability whatsoever relating thereto

14 4 Application for Transfer Upon any proposed Transfer of this Agreement, or any interest in it, You agree to submit to Us an application in the form specified by Us on behalf of the proposed transferee

14 5 Transfer Fee As a condition of Our approving the Transfer of this Agreement or Your Franchise Business, You agree to pay to Us a Transfer fee of Two Thousand and Five Hundred Dollars (2,500) The Transfer fee is non-refundable and is only payable at the time of the approved Transfer

14 6 Permitted Transfers If a proposed Transfer is only among existing shareholders or members of a corporation or limited liability company franchisee, or among existing partners of a partnership franchisee, or by an individual or partnership franchisee to a corporation or limited liability company controlled by and owned not less than sixty percent (60%) by You, Including

Your current owners, there will be no transfer fee, and We will not be entitled to exercise Our right of first refusal Each ownership certificate of a corporation or limited liability company franchisee must have endorsed upon its face that Transfer thereof is subject to the restrictions of this Agreement Any new owner with an ownership of five percent (5%) or more in Your Franchise Business or Your entity must personally guarantee the obligations of the Agreement

14 7 Involuntary Transfers Void Involuntary Transfers of this Agreement by You, such as by legal process, are not permitted, are not binding on Us and are grounds for termination of this Agreement You agree that using this Agreement as security for a loan, or otherwise encumbering this Agreement is prohibited, unless We specifically consent to any such action in writing prior to the proposed transaction You agree not to purport to grant a sub-franchise under this Agreement nor to otherwise seek to license or permit others to use this Agreement or any of the rights derived by You under it Any attempt to Transfer this Agreement or Your Franchise Business in whole or in part, or any material portion or property used by You in connection herewith, whether or not binding on Us, will be grounds for the immediate termination of this Agreement, unless such Transfer is authorized in writing by Us

14 8 Conditions of Transfer Prior to the effective date of Transfer of this Agreement or Your Franchise Business and as a condition for Our approval of any Transfer, You agree as follows

14 8 1 Compliance You must be in full compliance with this Agreement and not be in default hereunder All accounts payable and other monetary obligations to Us or Our affiliates or subsidiaries must be paid in full You must have submitted all required reports, financial statements and other documents

14 8 2 Written Proposal The terms and conditions of the proposed transfer must be provided in writing to Us within the time frames specified by Us The price and other proposed terms of the transfer must not, in Our reasonable business judgment, have the effect of negatively impacting the future viability of the Franchise Business

14 8 3 Assumption of Obligations All Your obligations in connection with Your Franchise Business must be assumed by the transferee

14 8 4 New Franchise Agreement The transferee must sign the then-current form of the Franchise Agreement and fully upgrade the Franchise Business and Premises to the level required of new franchisees

14 8 5 Payment for Training The transferee must pay for and complete the training program required of new franchisees The cost of such training will be at Our standard rate for training new managers, plus the cost of travel, food and lodging for the trainers

14 8 6 Transfer Fee You must pay the transfer fee set forth in Section 14 5

14 8 7 General Release You individually and collectively must execute a general release releasing Us of any claims You may have against Us

14 8 8 Receipt of FDD At Our discretion, the transferee must sign a document stating that it has received a copy of the franchise disclosure documents at least 14 calendar days or 10 business days, whichever is applicable in Your state, prior to closing and that We have made no representations, promises, or covenants concerning the past or future success of the franchise

14 8 9 Survival of Covenants Your non-competition, indemnity and confidentiality obligations and the provisions relating to dispute resolutions will survive any Transfer

14 9 First Right of Refusal

14 9 1 Right of First Refusal You hereby grant to Us the right of first refusal to purchase Your assets, this Agreement, the Franchise Business or ownership in Your entity (collectively "Assets") on such terms and conditions specified in a bona fide written offer from a third party, who would satisfy the criteria for approval under Section 14 3 other than Transfer to an entity controlled and owned at least sixty percent (60%) by You You agree to notify Us in writing of the terms and conditions of the Transfer, Including the Assets proposed to be Transferred, the purchase price or other consideration, any creditor financing terms being extended by You, the date of the proposed Transfer, and all other pertinent provisions of the proposed sale or Transfer In addition, a copy of any contract, agreement, memorandum of sale, deposit receipt, letter of intent and the like, must also be forwarded to Us as soon as it is signed by You Following receipt of all pertinent data and documents concerning the proposed Transfer, Including any additional data concerning the transaction requested by Us from You, We will have sixty (60) days in which to advise You in writing of Our election to have the Assets Transferred and assigned to Us on the terms and conditions agreed to by the prospective transferee Should We elect to purchase the Assets proposed to be transferred pursuant to Our right of first refusal, You and We agree to cooperate to accomplish the transfer as set forth in the provisions submitted to Us by You, provided that the date for the completion of the Transfer can be extended at Our option for up to thirty (30) days beyond the date originally indicated for the completion of the Transfer in order to allow the completion of the transaction in a manner more convenient to Us If You are a corporation or limited liability company, then the above right of first refusal provisions will apply to the Transfer control of forty percent (40%) or more of the shares of the corporation or ownership or membership interests in the limited liability company from how they are currently owned If Your Franchise Business is not Transferred to such third party within three (3) months after We elect not to purchase the Assets, You must re-offer the Assets to Us before You may Transfer to a third party We have no obligation to purchase Your Assets

14 9 2 Non-Election of Rights If We do not elect to purchase the Assets proposed to be Transferred, You may complete the proposed Transfer on the terms and conditions set forth in Your notice to Us subject to Our right to approve the proposed transferee and the terms and conditions set forth under Section 14 8 above However, if there are any material changes in the terms and conditions of the proposed Transfer after You notify Us of the proposed Transfer, Including any changes in the terms and conditions occurring after We notify You of Our election not to purchase the Assets pursuant to Our right of first refusal, and any of those changes are less favorable to You, You agree to notify Us of the changes in writing and We will have an additional

ten (10) days within which to elect to purchase the Assets proposed to be Transferred on the revised terms and conditions If the proposed Transfer is not completed for any reason after We elect not to purchase the Assets being Transferred, a new right of first refusal commences as to any subsequent proposed Transfers by You

14 10 Death or Incapacity and Interim Management In the event of the death or incapacity of an individual franchisee or general partner or manager of an entity franchisee (the term "incapacity" means any physical or mental infirmity that prevents the person from performing his or her obligations under this Agreement (i) for a period of sixty (60) or more consecutive days, or (ii) for one hundred (100) days during a calendar year), the heirs or personal representative will have the right to continue Your Franchise Business, provided that within a reasonable time (not more than one hundred and twenty (120) days) after such death or incapacity (or such longer period required by the laws of the state where Your Franchise Business is located) the heirs appoint a representative to act in behalf of the heirs in all matters pertaining to Your Franchise Business as provided for new managers and franchisees, Including the requirements to have the representative trained and accepted by Us in accordance with Our standards The heirs or personal representatives, instead of operating Your Franchise Business themselves under the foregoing procedures may choose to transfer Your Franchise Business If a decision to transfer is made, the transfer procedures explained above will apply If We are required to run Your Franchise Business for a time due to Your death, incapacity, unexcused absence or as otherwise allowed under this Agreement, We will charge an operation fee of Five Hundred Dollars ($500) per day per representative, plus Our costs of travel, food and lodging In addition, You will continue to pay all royalties, marketing fees and other fees due under this Agreement

14 11 Assumption of Obligations The parties agree that in the event a court of competent jurisdiction orders You to Transfer to Your spouse or a third party all or any part of Your interest in this Agreement or Your franchisee entity and/or in any property related thereto, such an order will constitute a Transfer of this Agreement and will cause the Transferee to be subject to all of the terms and conditions concerning Transfers set forth herein above

14 12 Acquisitions If We receive an offer to acquire a majority of the Bad Ass Coffee of Hawaii® franchises outstanding or to purchase a majority of Our assets or stock, or to merge or go public or similar transactions, We have the option, but not the obligation, to purchase all of Your rights and interests in and under this Agreement and Your Franchise Business at fair market value payable on terms as reasonably negotiated The purchase price will not include compensation for any successor term or goodwill If the purchase option is exercised, You will execute a general release to Us We will close Our purchase within sixty (60) days after You receive notice of intention to exercise Our right or as soon thereafter as reasonably practical

ARTICLE XV
RELATIONSHIP OF THE PARTIES

15 1 Independent Contractors In all matters, You are an independent contractor Nothing in this Agreement nor in the franchise relationship constitutes You as Our partner, agent, or joint venturer with Us, and this Agreement does not create a fiduciary relationship between You and Us Neither party is liable for the debts, liabilities, taxes, duties, obligations, defaults,

compliance, intentional acts, wages, negligence, errors or omissions of the other You are responsible for the management and control of Your Franchise Business, Including its daily operations, managing and directing employees and sales persons and paying all costs and expenses of Your Franchise Business The parties agree not to hold themselves out by action or inaction contrary to the foregoing and to indemnify each other for any liability, cost or expense Including attorney's fees, incurred by either of them for any act, omission, finding or result to the contrary None of Your employees will be deemed to be Our employee and each employee will be so notified by You Neither party will act or have the authority to act as agent for the other, and neither You nor We will guaranty the obligations of the other or in any way become obligated for the debts or expenses of the other unless agreed to in writing You agree to post promptly and maintain any signs or notices specified by Us or by applicable law indicating the status of the parties as described above

15 2 Indemnification You agree to defend, indemnify, and hold Us harmless and any of Our officers, directors, shareholders, agents, members, managers and employees, or licensees, from any and against any and all losses, liabilities, damages, costs and expenses whatsoever, Including reasonable attorney's fees arising out of or related to, or in any way connected with You or Your acts, errors or omissions in the operation of Your Franchise Business or Your Franchise Business generally, and Including any allegation that You are Our employee, or that We are a joint employer or otherwise responsible for the acts or omissions relating to Your employees, and other laws regarding public accommodations for persons with disabilities We will have the right to defend any such claim against Us by employing counsel of Our choice, subject to full reimbursement of all legal fees by You We will use Our reasonable efforts to cooperate with You in any litigation, judicial or administrative proceeding to avoid duplication of time, effort or expenditure to the greatest extent possible without compromising Our interest in such matter This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration, transfer or termination of this Agreement

ARTICLE XVI
COVENANT NOT TO COMPETE

16 1 In-Term Covenants You and We share in a common interest in avoiding situations where persons or companies who are or have been Bad Ass Coffee of Hawaii® franchisees operate or otherwise become involved with a substantially similar competing business during the term of this Agreement During the term of this Agreement and for any extensions or Successor Franchises hereof, You agree that neither You nor Your family, will own, operate, lease, franchise, conduct, consult with, engage in, be connected with, have any interest in, or assist any person or entity engaged in or on its own account or as an employee, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership, or corporation engaged in any wholesale or retail Bad Ass Coffee of Hawaii® or similar business or other business offering products or services the same as or substantially similar to Your Franchise Business or the System in any capacity or location, except with Our prior written consent You understand and acknowledge that to violate this Section will create irreparable harm Your owners, members, directors, officers, managers and shareholders shall execute the standard Non-Disclosure and Non-Competition Agreement for Principals attached as Exhibit "A-3" and Your principal employees must execute Our Employee Confidential Information Non-Competition Agreement as attached hereto as

Exhibit "A-4," and Our Confidential Recipe Agreement attached hereto as Exhibit "A-5 " These non-competition and confidential recipe agreement exhibits are incorporated by reference herein A copy of all such agreements must be promptly delivered to Us within one (1) week of execution

16 2 Confidentiality You agree that at no time, either during the term of this Agreement, any extensions or Successor Franchises hereof, or at any other time will You or any those over whom You have control make any unauthorized disclosure or use of Our Confidential Information We will disclose the Confidential Information to You when rendering guidance and assistance to You under the terms of this Agreement, Including by way of example, furnishing the Manuals You acknowledge and agree that the Confidential Information is proprietary, involves Our trade secrets and is disclosed to You solely on the express condition that You agree not to use the Confidential Information in the operation of any other retail or wholesale coffee business or other business, to maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement, not to make any unauthorized copy, duplicate, record, or otherwise reproduce all or any portion of the Confidential Information disclosed in written form, to never contest the validity of Our exclusive ownership of and rights to the System or the Confidential Information and to adopt and implement all reasonable procedures prescribed from time to time by Us to prevent unauthorized use or disclosure of the Confidential Information

16 3 Post-Term Covenants Upon termination or expiration of this Agreement for any reason, or any transfer, repurchase or termination of Your rights hereunder and for a continuous, uninterrupted period of three (3) years thereafter, neither You, will, directly or indirectly, participate as an owner, operator, shareholder, director, partner, consultant, agent, employee, advisor, officer, lessor, lessee, franchisor, franchisee or serve in any other capacity whatsoever or have any interest in or assist any person or entity in any business, firm, entity, partnership or company engaged in any identical or similar business or other business offering products or services the same as or substantially similar to Your Franchise Business or the System in any capacity or location within Your Territory or within three (3) miles of Your Territory or the territory of any Bad Ass Coffee of Hawaii® business operation at the time of termination, transfer or expiration of this Agreement You will not divert or attempt to divert any business of or any customers of any or Bad Ass Coffee of Hawaii® business operations to any other competitive establishment, by direct or indirect inducement or otherwise

16 3 1 Tolling of Covenant In the event You compete during the term of non-competition, this non-compete time period will be extended for the period of Your competition plus an additional six (6) months

16 4 Non-Solicitation You agree not to employ or seek to induce any employee of or party under contract with Us, Our franchisees or Our subsidiaries or affiliated companies, to leave his or her employment with Us or said entities during the term of this Agreement, or any Successor Franchises or extensions hereof and for a period of three (3) years after the termination of this Agreement or any Successor Franchise

16 5 Survival of Covenants The foregoing covenants will survive the termination or expiration of this Agreement and will apply regardless of whether this Agreement was terminated by lapse of time, by default of either party, or for any other reason

16 6 Acknowledgement of Harm You acknowledge that Your violation or breach of the covenants and provisions of this Article XVI is likely to cause substantial and irreparable harm to Us and the System You agree that the restrictions contained in this Agreement are reasonable and necessary for Our protection and the protection of other franchisees in the System

16 7 Modifications If any of the restrictions of this Article are determined to be unenforceable because of duration, scope or coverage or otherwise, they will be reduced to that level which provides the greatest restriction, but which is still enforceable You and We agree that such restrictions will be enforced to the fullest extent possible

16 8 Our Remedies If the post-term restrictions of this Article XVI are unenforceable or are reduced to a level which We, in Our reasonable business judgment, find unacceptable, We may, in addition to any other remedies available to Us, require You, for a period of two (2) years from the date of termination or expiration of this Agreement, to pay a fee of one-half (1/2) of the royalties and marketing fees, which would be payable if the business in question was a Bad Ass Coffee of Hawaii® Franchise Business

16 9 Enforceability You agree that the terms of the provisions of this Article XVI are fair and reasonable in light of the circumstances and were in part, based on the perceived or potential value of the System and the business relationship that You and/or Your entity has and will have with Us It is the desire and intent of the parties to this Agreement that the provisions of this Article XVI be enforced to the fullest extent permissible under applicable laws You understand and acknowledge that We have the right in Our sole discretion to reduce the scope of any covenant set forth above or any portion thereof, without Your consent, effective immediately upon receipt by You of written notice thereof, which modified covenant will be fully enforceable notwithstanding any other provision of this Agreement

ARTICLE XVII
DISPUTE RESOLUTION

17 1 Quick Resolution You and We understand that there is always a possibility of differences of opinion or other disagreements in any business relationship and agree that it is important to resolve any disputes amicably, quickly, inexpensively and professionally and to return to business as soon as possible

17 2 Manner of Handling Disputes You and We agree that except as otherwise expressly provided for herein, in the event any controversy, dispute or claim whatsoever ("Dispute") arise between Us in connection with, arising from, or with respect to, any provision hereof, the relationship created herein, or the validity of this Agreement or any provision hereof, or the offer and sale to You, such Dispute will be

17 2 1 Face-to-Face Meeting First discussed in a face-to-face meeting between You and Us in Salt Lake City, Utah or at Our then-current headquarters and within thirty (30) days after either You or We give written notice to the other proposing such a meeting We have the right, in Our sole discretion, to waive this requirement

17 2 2 Mediation If, in the opinion of either You or Us, the face-to-face meeting has not successfully resolved such matters and if desired by either You or Us, the matters will be submitted to non-binding mediation before Franchise Arbitration and Mediation Services ("FAM") or as otherwise mutually agreed The mediation will be conducted exclusively in Salt Lake City, Utah On election by either party, arbitration as provided below may proceed forward at the same time as mediation The mediator will be disqualified as a witness, consultant, expert or counsel for any party with respect to the dispute and any related matters

17 2 3 Arbitration If in the opinion of either You or Us the mediation has not successfully resolved such matters, at the request of either You or Us, any Dispute will be submitted for arbitration to the offices of the American Arbitration Association in accordance with its commercial arbitration rules in effect All arbitration hearings will be conducted exclusively in Salt Lake City, Utah The arbitrator will have the power and jurisdiction to decide such controversy or dispute solely in accordance with the express provisions of this Agreement The arbitrator will render a written opinion setting forth the facts found, law applied and reasons for the decision

(1) Arbitration Procedures In any arbitration, the parties will be entitled to specific performance of the obligations under this Agreement The arbitrator may award or otherwise provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships and other pre-judgment, equitable and/or interim relief as appropriate pending final resolution by binding arbitration of a Dispute, as well as in connection with any such final resolution, and may issue summary orders disposing of all or part of a Dispute at any point Each party consents to the enforcement of such orders, injunctions, etc , by any court having jurisdiction Offers and/or other communications made in connection with, or related in any way to, mediation, possible settlement or other resolution of a Dispute will not be admitted into evidence or otherwise used in connection with any arbitration or other proceeding, and any arbitration award in violation of this provision will be vacated by the arbitration appeal panel (described below) and/or any court having jurisdiction The arbitrator will have the power to order compliance with such discovery procedures, as well as assess sanctions for non-compliance with any order Discovery will be controlled by the arbitrator and will be permitted to the extent set out in this Paragraph Each party may submit in writing to the other party, and the other party will respond, to a maximum of any combination of twenty-five (25) (none of which may have subplots) of the following interrogatories, demands to produce documents, and requests for admission You and We are also entitled to take the oral deposition of one individual of the other party Additional discovery may be permitted upon mutual agreement of the parties The arbitrator, and not a court, will decide any questions relating in any way to the parties' agreement or claimed agreement to arbitrate, Including a claim for fraud in the inducement or otherwise Each participant must submit or file any Dispute that would constitute a compulsory counterclaim (as defined by the applicable rule under the Federal Rules of Civil Procedure) within the same proceedings as the Dispute to which it relates Any such Dispute that is not submitted or filed in such proceedings will be forever barred The award and findings of the arbitrator will be conclusive and binding upon all parties hereto and the judgment upon the award may be entered in any Court of competent jurisdiction

(ii) Individual Disputes Any Dispute and any arbitration, will be conducted and resolved on an individual basis only and not on a class-wide, multiple plaintiff or similar basis between You and Us and will not be consolidated with any other arbitration or court proceeding involving Us and any other person

(iii) Agreed Limitations Except for payments owed by one party to the other, or claims attributable to Your underreporting of sales, any legal action or arbitration proceeding (Including the offer and sale of a franchise to You) brought or instituted with respect to any Dispute hereunder must be brought or instituted within a period of one (1) year from the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim, provided that no claim may be brought more than two (2) years after the first act or omission giving rise to an alleged claim

(iv) Limited Damages You and We waive any right or claim of any consequential, punitive or exemplary damages against each other and agree that in the event of a Dispute between You and Us, each will be limited to the recovery of actual damages sustained You agree that We will not be liable for any act or omission which is consistent with this Agreement or which is done in subjective good faith If You bring an action for alleged wrongful termination of this Agreement and provided that the termination has not resulted in a closure of Your Franchise Business, Your sole remedy will be to be reinstated as a franchisee with no award of damages If the termination results in a closure of Your franchisee Your sole remedies will be to be reinstatement as a Franchise Business and to receive compensation for economic losses directly incurred by You as a result of such closure, conditioned upon Your duty to mitigate

(v) Exceptions to Arbitration You and We agree that nothing in this Agreement obligates Us to arbitrate or mediate Disputes or issues relating to (a) the validity of the Marks, or any trademarks, service marks or other Intellectual Property, (b) rights to obtain a writ of attachment or other prejudgment remedies, (c) rights to receive and enforce a temporary restraining order, preliminary injunction, permanent injunction or other equitable relief, or (d) Disputes solely for fees and other monies owed by one party to the other under this Agreement

(vi) Appeals If any party to an arbitration wishes to appeal any final award by an arbitrator (there will be no appeal of interim awards or other interim relief), that party can appeal, within thirty (30) days of such final award, to a three (3) person arbitrator panel to be appointed by the same organization as conducted the arbitration to be held exclusively at the same location as specified above The issues on appeal will be limited to the proper application of the law to the facts found at the arbitration and will not include any trial *de novo* or other fact-finding function The party requesting such appeal must pay all costs and fees of the arbitrators and arbitration proceedings

(vii) Sharing of Fees Except for an appeal, the parties to the Dispute or action will share the fees and expenses of the mediation and the arbitration equally during the mediation and arbitration However, the prevailing party in arbitration will be awarded costs and attorney's fees as set forth in Section 19 3 below

(viii) Federal Arbitration Act You and We mutually agree that all issues relating to arbitrability are governed exclusively by the Federal Arbitration Act and the federal common law of arbitration to the exclusion of any state statutes or common law and will be decided by the arbitrator All provisions of this Agreement pertaining to venue, choice-of-laws, dispute avoidance and resolution will be strictly enforced, and You and We will rely on federal preemption under the Federal Arbitration Act

ARTICLE XVIII
NOTICES

18 1 Notices All notices permitted or required under this Agreement will be in writing and will be delivered as follows with notice deemed given as indicated (i) by personal delivery when delivered personally, (ii) by overnight courier upon written verification of receipt, (iii) by facsimile transmission when confirmed by facsimile transmission, during normal business hours, Monday through Friday, holidays excepted, (iv) through the email address below or other verified email address when confirmed by receipt verification, which verification will not be withheld or otherwise denied, or (v) by certified or registered mail, return receipt requested, three (3) days after deposit in the mail addressed as follows

FRANCHISOR	**FRANCHISEE**
BAD ASS COFFEE COMPANY OF HAWAII, INC 155 West Malvern Avenue Salt Lake City, Utah 84115 (or Our then-current headquarters) With a copy to (which will not act as notice or service to Bad Ass Coffee Company of Hawaii, Inc) The Franchise & Business Law Group Attn Brooke Ashton 57 West 200 South, Ste 350 Salt Lake City, Utah 84101 Email bashton@fblglaw com	_____, LLC/Inc _____ _____ Facsimile _____ Email _____

18 2 Delivery If You refuse or fail to accept any certified or overnight delivery, acceptance will be deemed to have occurred forty-eight (48) hours after rejection or failure to accept such notice Any notice delivered by mail in the manner herein specified will be deemed delivered and received three (3) days after mailing

18 3 Listed Addresses The address specified herein for services of notices may be changed at any time by the party making the change by giving written notice to the other party by certified mail or as otherwise agreed by You and Us Any notice to You may be delivered to the address set forth above or to the address of Your Franchise Business or office

ARTICLE XIX
CONSTRUCTION AND JURISDICTION

19 1 Governing Law Except as provided in Section 19 5, this Agreement will be governed, construed and interpreted in accordance with the laws of the State of Utah without giving effect to its conflicts of laws provisions You and We agree that the provisions of this Agreement will control the state or provincial laws by which this Agreement will be governed and any provisions of state or provincial law to the contrary or any statements in Our franchise disclosure document or otherwise required as a condition of registration or otherwise If the governing law requires terms other than or in addition to those in this Agreement, then such terms will be deemed incorporated herein, but only to the extent necessary to prevent the invalidity of this Agreement or any of the provisions hereof or the imposition of civil or criminal penalties or liability To the extent permitted by the laws of the state whose laws govern this Agreement, You hereby waive any provisions of law or regulations which render any portion of this Agreement invalid or unenforceable in any respect

19 2 Jurisdiction In order to facilitate our joint interests in having franchise issues determined in a consistent manner for application throughout the System, without in any way limiting or otherwise affecting Your and Our obligations regarding mediation and arbitration in accordance with the provisions of Article XVII, if there is any litigation between us, You and We hereby irrevocably consent to the exercise of general personal jurisdiction exclusively in the courts of record of the State of Utah even though it may be otherwise possible to obtain jurisdiction elsewhere and we both agree that Salt Lake City, Utah will be the exclusive venue for any litigation between us Each party waives any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Utah

19 3 Costs and Attorney's Fees In the event any action in law or equity or any arbitration or other proceeding is brought for the enforcement of this Agreement or in connection with any of the provisions of this Agreement, the successful or prevailing party or parties will be entitled to reasonable attorney's fees and other costs reasonably incurred in such action or arbitration proceeding The costs of mediation will also be awarded to the prevailing party in arbitration, if applicable For purposes of this Agreement, "prevailing party" Includes, the Party which obtains a judgment in their favor, or agrees to dismiss an action or proceeding upon the other's payment of sums allegedly due or performance of the covenants allegedly breached, or which obtains substantially the relief sought

19 4 No Jury Trial You and We waive, to the fullest extent permitted by law, all rights to trial by jury in any action or Dispute, whether at law or in equity, brought by either party

19 5 Exception Notwithstanding the foregoing, the Federal Arbitration Act (9 U S C §§ 1 Et Seq) and the United States Trademark Act (Lanham Act, U S C § 1051 Et Seq) will

apply to this Agreement and the relationship of the parties and preempt any state law to the contrary

19 6 No Limitation of Our Rights We may, in Our discretion, elect not to enforce or selectively enforce any provision of this Agreement whether with respect to You or any other franchisee and such acts or omissions will not limit or otherwise affect Our rights to strictly enforce this Agreement

ARTICLE XX
MISCELLANEOUS

20 1 Headings Headings used in this Agreement are for reference and convenience purposes only and are not to be used in construing the provisions of this Agreement As used herein, the male or female gender will include the other and the neuter The singular will include the plural and the plural includes the singular as appropriate

20 2 No Third Party Rights The parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third parties will have any right or claims, benefit or right or a third party beneficiary under this Agreement or any provision hereof Similarly, You are not entitled to claim any rights or benefits, Including those of a third party beneficiary, under any contract, understanding or agreement between Us and any other person or entities, unless that contract, understanding or agreement specifically refers to You by name and specifically grant rights or benefits to You

20 3 Authority Where an entity is a party to this Agreement, the person or persons signing this Agreement on behalf of the entity warrant to Us that he, she or they have the requisite authority to sign this Agreement At Our request, the concerned company signatory agrees to promptly provide Us with a certified copy of the resolution authorizing the execution of this Agreement and naming the officers, directors, members, or managers of the entity who are authorized to sign this Agreement on behalf of the entity No field representative or salesperson has the right or authority to sign this Agreement or make oral representations or written modifications hereof on Our behalf

20 4 No Partial Payments No payment by You or receipt by Us of any amount less than that required to be paid under this Agreement, or otherwise, to Us or any person or entity affiliated with Us, will be deemed to be anything except payment on account, regardless of any endorsement to the contrary contained on any such payment or in any oral or written communication transmitted in connection therewith

20 5 Joint and Several Liability If two or more persons, corporations, limited liability companies, partnerships or other entities, guarantors or any combination thereof, sign this Agreement, the liability of each will be joint and several All members of a general partnership and all members of any association or other unincorporated entity, which is part of the franchisee hereunder, are jointly and severally liable for Your performance hereunder

20 6 No Off-Set or Withholdings You covenant and agree that You will not offset nor withhold the payment of any royalties, fees, payments or other amounts due to Us or Our affiliates or suppliers on grounds of the alleged non-performance by Us of any of Our covenants or obligations hereunder, any dispute of any nature or otherwise

20 7 Disclosure We can disclose, in disclosure documents or otherwise, information relating to Your Franchise Business, Including Your name, address, phone numbers, financial information, copies or reports, and other information

20 8 Binding Agreement This Agreement is binding upon the heirs, administrators, personal representatives, assigns and successors in interest to the parties hereto

20 9 Force Majeure You will not be liable by reason of any failure or delay in the performance of Your obligations hereunder on account of strikes, fires, flood, storm, explosion or other cause which is beyond Your reasonable control This Section 20 9 will not be interpreted to relieve You from Your obligation to pay Us when due all payments required to be made by You under this Agreement

20 10 Entire Agreement The parties intend this Agreement and all attached exhibits hereto to be the full and complete agreement between Us and You and the entire integration of all our understandings of every nature concerning the matters contained in this Agreement or in any way related thereto, whether oral or written, and whether occurring before or contemporaneously with the execution of this Agreement You represent and acknowledge that no agreements, representations, negotiations, promises, commitments, inducements, assurances, terms, conditions, or covenants of any nature exist between us except as specifically set forth in this Agreement, whether pertaining to this Agreement or to any future, further or additional rights of either You or Us Nothing in this Agreement, or in any related agreement, is intended to be a disclaimer of the representations We made to You in the franchise disclosure document

20 11 Amendments No amendment, change or variance from this Agreement will be binding on either party unless executed in writing, however, the Manuals and policies and procedures may be modified by Us from time to time as set forth in this Agreement, and are binding

20 12 Effective Date This Agreement will become effective only when executed and accepted by Us at Our headquarters

20 13 No Course of Dealing No course of dealing between You and Us will affect Your or Our rights under this Agreement or otherwise

20 14 No Representations You understand that the success or failure of Your Franchise Business depends, in major part, upon Your efforts You agree that We have not made nor have You received any promise, representation or warranty that 1) any payments by You are refundable at Your option, 2) We will repurchase any rights granted hereunder, 3) You will achieve any particular sales, income or other levels of performance or that You will be successful in Your Franchise Business licensed by this Agreement, 4) You will have any exclusive rights of any type

other than as expressly set forth herein, 5) You will receive any level of marketing, marketing assistance, site location, development or other services, operational assistance or otherwise other than as expressly set forth in this Agreement, 6) You will not be required to obtain any licenses in order to operate Your Franchise Business, 7) any location will be successful, or 8) that You will be awarded additional or further franchises or other rights, except as expressly set forth in a written document signed by Us

20 15 Variances You understand and agree that 1) We may have offered franchises in the past, may currently be offering franchises or may offer franchises in the future, on economic or other terms, conditions and provisions which may significantly differ from those offered by this Agreement and any related documents, and 2) there may be instances where We have varied, or will approve exceptions to or changes in the uniform standards, vary, the terms on which We offer franchises, the charges We make, or otherwise deal with Our franchisees to suit the circumstances of a particular transaction that We believe are necessary or desirable under particular circumstances You have no right to object to such variances or to obtain the same variances for Yourself

20 16 No Misrepresentations You further represent to Us, as an inducement to Our entry into this Agreement, that You have made no misrepresentations in obtaining the award of this Franchise

20 17 Representations of Non-Violation You represent and warrant that You may enter into this Agreement and that the execution and performance of this Agreement will not be in violation or breach, or cause the violation or breach, of any agreement or covenant between them or any of them and any third party or the violation or breach of any order, decree or judgment of any court or administrative agency

20 18 FDD Acknowledgement You represent that You have had a copy of the Bad Ass Coffee of Hawaii® Franchise Disclosure Document ("FDD") for at least 14 calendar days or 10 business days, whichever is applicable, prior to signing this Agreement or making any payment to Us, and during which time You had the opportunity to submit the FDD for review by legal counsel

20 19 Waiver We may, in writing, unilaterally waive any of Your obligations or requirements under this Agreement Waiver by Us of any particular default by or obligation of You will not affect or impair Our rights with respect to any subsequent default by You or any of Our other rights to declare the same or subsequent acts a breach or default Our acceptance of any payments due from You does not waive any prior defaults

20 20 Counterpart Signatures This Agreement and its Exhibits may be signed in counterparts by facsimile, electronic signature, or scanned and emailed signature, or similar electronic means, which will be deemed the same as an original signature and may be used for all purposes as if it were an original, and when said counterparts have been exchanged between the parties, they will be of full force and effect

ARTICLE XXI
DEFINITIONS

21 1 "Bad Ass Coffee of Hawaii® Product" means any and all of the coffee and other products and menu items that are sold or offered for sale by Us, Our affiliates, or by licensees or franchisees of Us at a Bad Ass Coffee of Hawaii® unit

21 2 "Confidential Information" means any information relating to Your Franchise Business, the Bad Ass Coffee of Hawaii® Products or the development or operation of a Bad Ass Coffee of Hawaii® unit or relating to the System as a whole, Including (i) methods for the preparation of Bad Ass Coffee of Hawaii® Products, (ii) Our recipes, Including, ingredients, flavors, composition, mixes, spices, sauces, and dressings, preparation and formulation, trade secrets, methods, techniques, formats, layout, trade dress, specifications, hardware, software, systems, proprietary technology procedures, equipment sales and marketing programs and techniques and knowledge of an experience in the development and operation of Bad Ass Coffee of Hawaii® units, (iii) knowledge of, specifications for, and suppliers of, certain Bad Ass Coffee of Hawaii® Products, materials, supplies, equipment, furnishings and fixtures, (iv) knowledge of operating results and financial performance of Bad Ass Coffee of Hawaii® units, (v) Our strategic plans and concepts for the development, operation, or expansion of Bad Ass Coffee of Hawaii® units of the System, (vi) the contents of Our Manuals or any other information obtained from Us in confidence at any time by virtue of the franchise or license relationship, (vii) all Customer Data, Including phone numbers and email addresses whether created by Us or You, and (vii) certain other Intellectual Property generally deemed confidential

21 3 "Including" Throughout this Agreement, the term "Including" or "Included" will mean, "including but not limited to," "including without limitation," and similar all-inclusive non-exhaustive meanings

21 4 "Intellectual Property" means all parts of the System particular to Us and collectively Includes all Marks, names, copyrights, systems, patents, patent applications, trade secrets, software, operations, and Manuals

21 5 "Manuals" consists of one or more guides, manuals, Including an operations manual and/or policies and procedures manuals technical bulletins or other written materials and may be developed, modified, and supplemented by Us periodically The Manuals may be in printed or in an electronic format in Our discretion We reserve the right to require You to use an electronic version of the Manuals and to require You to access the document using the Internet or an intranet created and supported by Us You understand and agree that aside from the uses permitted specifically under law, it is unlawful and a criminal offense to duplicate or reproduce any copyrighted or other proprietary materials

21 6 "Marks" means the federally registered and common law trademarks and service marks owned by Us, whether now or later developed, and licensed to You for use only in association with Your Franchise Business, Including Bad Ass Coffee of Hawaii®, Bad Ass Coffee of Hawaii®, Bad Ass Coffee Co ®, Bad Ass Coffee Company®, and Bad Ass Coffee® "Marks" will also include any and all names, trade names, trademarks, slogans, service marks, logos and/or

other commercial property or symbols licensed to You pursuant to this Agreement or used in connection with the System or later added to the System

21 7 "Operations Manual" consists of one or more Manuals, technical bulletins or other written materials and may be modified by Us periodically The Operations Manual may be in printed or in an electronic format in Our discretion We reserve the right to require You to use an electronic version of the Operations Manual and to require You to access the document using the Internet or an intranet created and supported by Us You understand and agree that aside from the uses permitted specifically under law, it is unlawful and a criminal offense to duplicate or reproduce any copyrighted or other proprietary materials

21 8 "Social Media" means any and all websites and web or Internet pages for social interaction, business operation, marketing, and other online information communications, Including Facebook, LinkedIn, Pinterest, Twitter and the like

21 9 "We," "Our(s)" or "Us" Only as applied to paragraphs 2 2 2 and 14 8 7 and Sections 15 2, 16 4, and Articles XI and XV, and Includes Our predecessors, parents, affiliates, subsidiaries, and Our officers, directors, shareholders, members, managers, employees, agents, development agents, or others with whose conduct We are chargeable

21 10 "You" or "Your" Includes all signers of this Agreement, Including all guarantors and Includes all current and subsequent members, owners, partners, directors, agents, affiliates and principal employees, and with those whose conduct You are chargeable

[INTENTIONALLY LEFT BLANK]

WE CANNOT RELIABLY PROJECT YOUR FUTURE PERFORMANCE, REVENUES OR PROFITS, AND YOU REPRESENT, COVENANT AND AGREE THAT WE HAVE MADE NO REPRESENTATIONS OR WARRANTIES CONCERNING YOUR SUCCESS AS A FRANCHISEE AND WE DISCLAIM ANY WARRANTY OR REPRESENTATION AS TO THE POTENTIAL SUCCESS OF THE BUSINESS OPERATIONS UNDER THIS FRANCHISE AGREEMENT THE SUCCESS OF YOUR BUSINESS IS LARGELY DEPENDENT ON YOUR PERSONAL EFFORTS

WE EXPRESSLY DISCLAIM THE MAKING OF ANY EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES REGARDING THE SALES, EARNING, INCOME, PROFITS, GROSS REVENUES, BUSINESS OR FINANCIAL SUCCESS, OR VALUE OF YOUR FRANCHISE BUSINESS

YOU ACKNOWLEDGE THAT YOU HAVE HAD AN OPPORTUNITY TO HAVE THIS AGREEMENT AND RELATED DOCUMENTS REVIEWED BY YOUR OWN ATTORNEY

IN WITNESS WHEREOF, the Franchisor and Franchisee have respectively signed and sealed this Franchise Agreement effective as of the day and year first written above

FRANCHISOR

BAD ASS COFFEE COMPANY OF HAWAII, INC

By _____
(Signature)

Name _____

Title _____

FRANCHISEE

_____ (LLC/INC)

By _____
(Signature)

Name _____

Title _____

If the franchisee is not an entity, each person must sign personally,

By _____
(Signature)

Name _____, personally

By _____
(Signature)

Name _____, personally

THE SIGNATURE OF EACH PERSON AND/OR COMPANY SIGNING THE FRANCHISE AGREEMENT MUST BE NOTARIZED

COMPANY ACKNOWLEDGMENT

STATE OF _____

ss

COUNTY OF _____

On the _____ day of _____, 20___, personally appeared before me _____ who duly acknowledged to me that he or she executed the above Franchise Agreement as the manager/officer of _____, **LLC/Inc** , and that the within and foregoing was signed in behalf of said company by authority of its members/shareholders, and said each duly acknowledged to me that said company executed the same

_____
NOTARY PUBLIC

On the ___ day of _____, 20___, personally appeared before me _____, who duly acknowledged to me that he or she executed the above Franchise Agreement individually

_____
NOTARY PUBLIC

On the ___ day of _____, 20___, personally appeared before me _____, who duly acknowledged to me that he or she executed the above Franchise Agreement individually

_____
NOTARY PUBLIC

IF FRANCHISEE IS A CORPORATION OR LIMITED LIABILITY COMPANY, ALL SHAREHOLDERS OR MEMBERS OF THE CORPORATION OR LIMITED LIABILITY COMPANY MUST EXECUTE THIS FRANCHISE AGREEMENT AS PROVIDED BELOW

The undersigned shareholders/members of the Franchisee, hereby execute, guaranty and agree to be bound by the terms and conditions of this Franchise Agreement, dated the ___ day of _____, 20_____

By _____
Signature
Print Name _____
Ownership MEMBER/SHAREHOLDER

By _____
Signature
Print Name _____
Ownership MEMBER/SHAREHOLDER

By _____
Signature
Print Name _____
Ownership MEMBER/SHAREHOLDER

By _____
Signature
Print Name _____
Ownership MEMBER/SHAREHOLDER

THE SIGNATURE OF EACH PERSON SIGNING ABOVE MUST BE NOTARIZED

On the ___ day of _____, 20___, personally appeared before me _____, who duly acknowledged to me that he or she executed the above individually

_____
NOTARY PUBLIC

On the ___ day of _____, 20___, personally appeared before me _____, who duly acknowledged to me that he or she executed the above individually

_____
NOTARY PUBLIC

PERSONAL GUARANTY AND AGREEMENT TO BE BOUND PERSONALLY BY THE TERMS AND CONDITIONS OF THE FRANCHISE AGREEMENT

In consideration of the execution of the Franchise Agreement, dated the _____ day of _____, 20___, ("Franchise Agreement") by Bad Ass Coffee Company of Hawaii, Inc ("Franchisor"), and for other good and valuable consideration, the undersigned ("Guarantor"), for themselves, their heirs, successors and assigns, do jointly, individually and severally hereby guaranty the full performance of the terms and conditions of and liability for the aforesaid Franchise Agreement and related documents

Guarantor understands that a separate action may be brought or prosecuted against any Guarantor whether or not the action is brought or prosecuted against any other Guarantor or against the Franchisee, or any or all of them, or whether any other Guarantor or the franchisee is or are joined in the action

Guarantor agrees that any claims, controversy, or dispute of Guarantor will be governed by the provisions of Article XVII and Article XIX of the Franchise Agreement which Article is incorporated herein and by reference made a part hereof Guarantor agrees that all arbitration and mediation will take place exclusively in Salt Lake City, Utah, and Guarantor hereby submits to personal jurisdiction in the federal and state courts of Utah

Guarantor waives the benefit of any statute of limitations or other provision of law which in any way affects or limits Guarantor's liability under this Guaranty

This Guaranty will be governed by the laws of the state whose laws govern the Franchise Agreement

This Guaranty may be signed in counterparts by facsimile, electronic signature, or scanned and emailed signature, or similar electronic means, which will be deemed the same as an original signature and may be used for all purposes as if it were an original, and when said counterparts have been exchanged between the parties, they will be of full force and effect

DATED this _____ day of _____, 20___

"GUARANTOR(S)"

By _____
(Signature)

Name _____, personally

By _____
(Signature)

Name _____, personally

THE SIGNATURE OF EACH PERSON SIGNING THE PERSONAL GUARANTY MUST BE NOTARIZED

On the _____ day of _____, 20___, personally appeared before me _____, who duly acknowledged to me that he or she executed the above guaranty individually

_____
NOTARY PUBLIC

On the _____ day of _____, 20___, personally appeared before me _____, who duly acknowledged to me that he or she executed the above guaranty individually

_____
NOTARY PUBLIC

EXHIBIT "A-1"
TO THE FRANCHISE AGREEMENT

PROTECTED TERRITORY _____

_____

(map may be attached)

APPROVED* PREMISES LOCATION

The Premises are located at _____, **in the city or town of** _____, **county of** _____, **state of** _____

(If you have not already located a site for the Premises you must sign the Site Location Agreement at Exhibit A-7)

***Our approval of the territory or a site is not a guarantee or a warranty of the potential success of a location**

_____
Franchisee Initial and Date

_____
Franchisee Initial and Date

EXHIBIT "A-2"
TO THE FRANCHISE AGREEMENT

COMPANY REPRESENTATIONS AND WARRANTIES

You make the following additional warranties and representations

You are a (check one)

□ Partnership □ Corporation
□ Sole Proprietorship □ Limited Liability Company

Name of Entity _____
State Entity was formed _____/Date of Formation _____

If You are a corporation, partnership, or limited liability company, please write below the name and address of each shareholder, partner, or member holding an ownership interest in the corporation, partnership or limited liability company, as well as the name of the shareholder, partner, or member who will attend training (please print or type names and add extra lines if necessary)

Name	**Address**	**Shares & Percentage of Interest***

*Corporation Percentage owned of outstanding voting stock
*Partnership Percentage owned in voting and in capital and profits
*Limited Liability Company Percentage owned in membership interest

List the names of the managers and officers of the Company

Name	**Title**	**Manager/Officer**

The address where Your records are maintained is _____
_____

The name and address of the person who has been approved by Us and who will be directly responsible for supervising Your business operations and who has authority to work with us and make decisions relating to the operations of the franchise business

Name _____
Address _____
Email _____

You agree to provide us a copy of Your articles of organization and operating agreement or articles of incorporation and bylaws by _____, 20___

IN WITNESS WHEREOF, the Franchise has executed this Company Representations and Warranties, as of the ____ day of _____, 20___

FRANCHISEE

_____ (LLC/INC)

By _____
(Signature)

Name _____

Title _____

EXHIBIT "A-3"
TO THE FRANCHISE AGREEMENT

PRINCIPAL CONFIDENTIALITY & NON-COMPETITION AGREEMENT

This PRINCIPAL CONFIDENTIALITY & NON-COMPETITION AGREEMENT (the "Agreement") is entered into and made effective as of the ___ day of _____, 20___, by and between **BAD ASS COFFEE COMPANY OF HAWAII, INC** , a Utah corporation/limited liability company ("Franchisor" or the "Company") and the undersigned ("Principal')

WHEREAS, Franchisor has developed a system for the operation of a retail coffee business known as Bad Ass Coffee of Hawaii®, which markets and sells various coffee beverages and other related products and services products and other related products and services ("Bad Ass Coffee of Hawaii® Business") The system Includes, the right to use specific trade names, trademarks and service marks, or other proprietary marks, the use of required equipment, recipes, mixes and formulas, a marketing plan, operations, training procedures and marketing concepts, decor, color schemes general store layout, the sale of products and services under the name Bad Ass Coffee® and Bad Ass Coffee of Hawaii® and other trademarked items, and the use of confidential information ("System" and at times the "Bad Ass Coffee of Hawaii® System"), and

WHEREAS, Principal or his or her company entered into an agreement with Franchisor ("Franchise Agreement') so as to be able to obtain the rights to operate a Bad Ass Coffee of Hawaii® Business using the System developed by Franchisor Including certain confidential and proprietary information of Franchisor ("Franchise Business'), and

WHEREAS, Principal will have access to such proprietary information, and

WHEREAS, Principal recognizes the value of the System and the intangible property rights licensed under the Franchise Agreement and recognizes that the Franchisor's entering into the Franchise Agreement is conditioned upon Principal entering into this Agreement, and

WHEREAS, all capitalized terms used, but not defined, herein will have the respective meanings assigned to them pursuant to the Franchise Agreement, and all references herein to "Article," "Sections" and "Paragraphs" refers to articles, paragraphs and sections of the Franchise Agreement, and

NOW THEREFORE, in consideration of Franchisor entering into the Franchise Agreement with Principal or his or her company, the recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows

1 Acknowledgment Principal acknowledges that he or she has obtained or may obtain knowledge of confidential matters, procedures, services, recipes, mixes, formulas, the System, and products developed, used and owned by Franchisor and made available to Principal, which are necessary and essential to the operation of the Franchise Business, without which information the Franchise Business could not efficiently, effectively and profitably operate Principal further acknowledges that such confidential information was not known to him or her

prior to the association with Franchisor

2 Non-Disclosure Except as may be required under the Franchise Agreement, neither Principal nor any of Principal's family will, during the term of the Franchise Agreement and any Successor Franchise or Successor Franchise Agreement or any time thereafter, directly or indirectly, use, or disclose to any third party, or authorize any third party to use, any information relating to the Franchise Business or interest of Franchisor or the System which he or she knows, or reasonably should know, is regarded as confidential and valuable to Franchisor, Including recipes, mixes, formulas, techniques, store guide, financial information, teaching methods, protocols, standards, merchandising, sale of products and services, products, sourcing of products, marketing plans, pricing, accounting systems and procedures, specifications, manuals, business plans, suppliers, customer lists, technical designs or drawings that relate to the Franchise Business and the Bad Ass Coffee of Hawaii® System The parties intend that the information disclosed by Franchisor prior to the actual execution of this Agreement will constitute Confidential Information, and will be subject to all the terms and conditions of this Agreement (Including the covenants protecting against disclosures) as if such information had been disclosed following the execution of this Agreement

3 Non-Competition Principal, Principal's family and Franchisor share in a common interest in avoiding situations where persons or companies who are or have been Bad Ass Coffee of Hawaii® franchisees operate or otherwise become involved with a substantially similar competing business during the term of the Franchise Agreement Therefore, the following covenants will be enforced during and after the term of the Franchise Agreement

3 1 In-Term Covenant During the term of the Franchise Agreement and for any extensions or Successor Franchises hereof, except as permitted under the Franchise Agreement, Principal agrees that neither Principal nor Principal's family, nor any shareholders, owners, partners, directors, members, managers, officers, agents, affiliates, principal employees, nor any partner in a partnership franchise, will own, operate, lease, franchise, conduct, consult with, engage in, be connected with, have any interest in, or assist any person or entity engaged in or on its own account or as an employee, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership, or corporation engaged in any wholesale or retail coffee or similar business or other business offering products or services the same as or substantially similar to the Franchise Business or the System in any capacity or location, except with Franchisor's written consent Principal understands and acknowledges that to violate this Section will create irreparable harm

3 2 Post-Term Covenant Upon termination or expiration of the Franchise Agreement and any extension or Successor Franchises thereof, for any reason and for a continuous, uninterrupted period of three (3) years thereafter, neither Principal, nor Principal's family, nor any of Principals members, owners, partners, members, managers, officers, directors, agents, affiliates or principal employees, will, directly or indirectly, participate as an owner, operator, shareholder, director, partner, consultant, agent, employee, advisor, officer, lessor, lessee, franchisor, franchisee or serve in any other capacity whatsoever or have any interest in or assist any person or entity in any business, firm, entity, partnership or company engaged in any similar business or other

business offering products or services the same as or substantially similar to the Franchise business or the System in any capacity or location within the Territory or within three (3) miles of Territory or the territory of any System franchise or Bad Ass Coffee of Hawaii® business operation at the time of termination or expiration of the Franchise Agreement The ownership of not more than two percent (2%) of the voting stock of a publicly held corporation will not be considered a violation of the foregoing provision Principal agrees that the Franchise Business attracts customers from up to 3 miles, and that such geographical restraint is not unreasonable

3 2 1 In the event Principal competes during the term of non-competition, this non-compete time period will be extended for the period of Principal's competition plus an additional six (6) months

4 Non-Solicitation of Employees Principal will not, during the term of the Franchise Agreement and any extension or Successor Franchise, and for three (3) years thereafter, directly or indirectly, employ or attempt to employ or solicit for employment any of Franchisor's employees or the employees of Franchisor's subsidiaries or affiliated corporations or entities All customer data and customer lists belong to Us

5 Non-Solicitation of Customers Principal will not, during the term of the Franchise Agreement and any renewal or Successor Franchise and for three (3) years thereafter, directly or indirectly, contact any customer of Franchisor for the purpose of soliciting from any such customer any business that is the same as or substantially similar to the business conducted between the Franchisee and the customer, Franchisor or Franchisor's affiliate and the customer All Customer Data belongs to Us

6 Return of Materials At the termination of the Franchise Agreement, Principal agrees to deliver to Franchisor (and will not keep a copy in his or her possession or deliver to anyone else) the Bad Ass Coffee of Hawaii® operations manual and any and all recipes, mixes, books, customer lists, vendor lists, records, data, designs, photographs, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, and documents or property relating to the Bad Ass Coffee of Hawaii® System

7 Irreparable Harm Principal hereby acknowledges and agrees that any breach by him or her of Sections 1 through 6 above, inclusive, will cause damage to Franchisor in an amount difficult to ascertain Accordingly, in addition to any other relief to which Franchisor may be entitled, Franchisor, will be entitled to enforce this Agreement and to seek temporary, preliminary, and/or permanent injunctive relief for any breach or threatened breach by any Principal of any of the terms of Section 1 through 6 above, inclusive, without proof of actual damages that have been or may be caused to Franchisor by such breach

8 Reasonableness and Enforceability Principal agrees that the terms of this Agreement are fair and reasonable in light of the circumstances and were in part, based on the perceived or potential value of the System and the business relationship that Principal and/or his company have and will have with Franchisor If any portion of this Agreement will be held invalid or inoperative, then, so far as is reasonable and possible, the remainder of this Agreement will be considered valid and operative, and effect will be given to the intent manifested by the portion held

invalid or inoperative Whenever the context so requires, the masculine includes the feminine and neuter and the singular includes the plural and conversely

9 Governing Law and Jurisdiction The validity, enforcement, construction, rights and liabilities of the parties and provisions of this Agreement will be governed by and interpreted in accordance with the laws of the State of Utah without giving effect to its conflicts of law provisions If for any reason court action is filed, Recipient consents to the jurisdiction of the courts of record in the State of Utah and agrees that proper jurisdiction and venue will be exclusively in the state and federal courts of Salt Lake County, State of Utah

10 Attorneys' Fees and Costs In the event any action in law or equity or any arbitration or other proceeding is brought for the enforcement of this Agreement or in connection with any of the provisions of this Agreement, the successful or prevailing party or parties will be entitled to reasonable attorney's fees and other costs reasonably incurred in such action or proceeding

11 Binding Agreement This Agreement will bind the successors and assigns of the Principal and his or her heirs, personal representative, successors and assigns No rights under this Agreement are assignable by any Principal and any purported assignment will be null and void and of no force or effect

12 Survival of Covenants All covenants made in this Agreement by Principal will survive the termination or transfer of this Agreement or the Franchise Agreement or Principal's disassociation with Principal's company or the System in any way

13 Modification of Agreement This Agreement may be amended in whole or in part only by an agreement in writing signed by the parties

14 Counterpart Signatures This Agreement may be signed in counterparts by facsimile, electronic signature, or scanned and emailed signature, or similar electronic means, which will be deemed the same as an original signature and may be used for all purposes as if it were an original, and when said counterparts have been exchanged between the parties, they will be of full force and effect

PRINCIPAL ACKNOWLEDGES THAT HE OR SHE HAS READ THIS AGREEMENT AND UNDERSTANDS ITS CONTENTS

IN WITNESS WHEREOF, the parties have executed this Agreement effective the day and year first herein above written

FRANCHISOR

BAD ASS COFFEE COMPANY OF HAWAII, INC

PRINCIPAL

By _____
(Signature)

Name _____

Title _____

By _____
(Signature)

Name _____

EXHIBIT "A-4"
TO THE FRANCHISE AGREEMENT

EMPLOYEE CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

THIS EMPLOYEE CONFIDENTIALITY AND NON-COMPETITION AGREEMENT is entered into this ____ day of _____, 20__, between _____ ("Franchisee") and _____ ("Employee"), residing at _____

[City] [State] [Zip Code]

A Franchisee is the holder of a Bad Ass Coffee of Hawaii® franchise and as such is the beneficiary of certain confidential and proprietary information of Bad Ass Coffee Company of Hawaii, Inc ("Franchisor")

B Employee may in the course of his or her employment by Franchisee have access to such proprietary information

NOW, THEREFORE, in consideration of the employment of Employee by Franchisee, the parties hereto agree as follows

1 Acknowledgement Employee acknowledges that during the course of his or her employment by Franchisee he or she has obtained or may obtain knowledge of confidential matters and procedures developed, licensed to or owned by Franchisor and made available to Franchisee, which are necessary and essential to the operation of the business of Franchisee, which without such information, Franchisee could not efficiently, effectively and profitably operate its franchise Employee further acknowledges that such confidential information was not known to him or her prior to his or her employment

2 Non-Disclosure Except as may be required in the performance of duties for Franchisee, Employee will not, during the course of his or her employment and thereafter, directly or indirectly, use, or disclose to any third party, or authorize any third party to use, any information relating to the business or interest of Franchisee or Franchisor, which he or she knows or reasonably should know is regarded as confidential and valuable to Franchisee or Franchisor Including recipes, mixes, techniques, store guide, methods, standards, products, merchandising, marketing, sale of products and services, specifications, pricing, accounting systems, procedures, sales, income, specifications, products, manuals, business plans, and customer lists that relate to Franchisee's business, the Bad Ass Coffee of Hawaii® System and franchise products, customers, suppliers and marketing plans

3 Non-Competition Employee will not, during the course of his or her employment by Franchisee, and for one (1) year thereafter, directly or indirectly in any capacity, without Franchisee's prior written consent, engage in a business, or plan for or organize a business, or have any financial interest in a business, which is competitive with or substantially similar to Franchisee's business or the business of any other Bad Ass Coffee of Hawaii® franchisee by becoming an owner, officer, director, shareholder, partner, associate, employee, agent,

representative or consultant in any business selling coffee, or a business offering or selling products or services similar to a Bad Ass Coffee of Hawaii® business Without limiting the generality of the foregoing, the minimum area of competitive nature will be that area within a three (3) mile radius of Franchisee's place of business or within a three (3) mile radius of any Franchisor, franchisee, or similar business operation, or that of its parent, subsidiary, or affiate, at the time of Employee's termination of employment The ownership of not more than two percent (2%) of the voting stock of a publicly held corporation will not be considered a violation of the foregoing provision

4 Non-Solicitation of Employees Employee will not, during the course of his or her employment and for one (1) year thereafter, directly or indirectly, employ or attempt to employ or solicit for any employment any of Franchisee's employees or the employees of Franchisor's subsidiaries or affiliated corporations or entities

5 Non-Solicitation of Customers Employee will not, during the course of his or her employment and for one (1) year thereafter, directly or indirectly, contact any customer of Franchisee for the purpose of soliciting from any such customer any business that is the same as or substantially similar to the business conducted between Franchisee and the customer

6 Return of Materials At the termination of employment, Employee agrees to deliver to Franchisee (and will not keep in his or her possession or deliver to anyone else whether in hard or electronic soft copy) the Bad Ass Coffee of Hawaii® Manuals and any and all records, data, designs, photographs, mixes, sauces, food preparation, recipes], notes, reports, proposals, lists, correspondence, specifications, materials, equipment, other documents or property, or reproductions of any such items belonging to Franchisor or Franchisee, or either of their successors or assigns relating to the Bad Ass Coffee of Hawaii® business and the System

7 Irreparable Harm Employee hereby acknowledges and agrees that any breach by him or her of Sections 1 through 6 above, inclusive, will cause damage to Franchisee and Franchisor in an amount difficult to ascertain Accordingly, in addition to any other relief to which Franchisee may be entitled, either Franchisee or Franchisor will be entitled to temporary, preliminary, and/or permanent injunctive relief for any breach or threatened breach by Employee of any of the terms of Section 1 through 6 above, inclusive, without proof of actual damages that have been or may be caused to Franchisee or Franchisor by such breach, and without the requirement of posting bond

8 Enforceability If any portion of this Agreement will be held invalid or inoperative, then, so far as is reasonable and possible, the remainder of this Agreement will be considered valid and operative, and effect will be given to the intent manifested by the portion held invalid or inoperative Whenever the context so requires, the masculine includes the feminine and neuter and the singular includes the plural and conversely

9 Binding Agreement This Agreement will bind the successors and assigns of Franchisee and the heirs, personal representative, successors and assigns of Employee No rights under this Agreement will be assignable by Employee and any purported assignment will be null and void and of no force or effect

10 Survival of Covenants All covenants made in this Agreement by Employee will survive the termination of this Agreement

11 Modification of Agreement This Agreement may be amended in whole or in part only by an agreement in writing signed and dated by the parties

12 Counterpart Signatures This Agreement may be signed in counterparts by facsimile, electronic signature, or scanned and emailed signature, or similar electronic means, which will be deemed the same as an original signature and may be used for all purposes as if it were an original, and when said counterparts have been exchanged between the parties, they will be of full force and effect

13 Third Party Beneficiary It is agreed and acknowledged that Bad Ass Coffee Company of Hawaii, Inc , is a third party beneficiary to this Agreement

EMPLOYEE ACKNOWLEDGES THAT HE OR SHE HAS READ THIS AGREEMENT AND UNDERSTANDS ITS CONTENTS

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the day and year first herein above written

FRANCHISEE	EMPLOYEE
_____	
By _____	_____
(Signature)	(Signature)
Name _____	_____
	(Print Name)
Title _____	

EXHIBIT "A-5"
PRINCIPAL CONFIDENTIAL RECIPE AGREEMENT

This PRINCIPAL CONFIDENTIAL RECIPE AGREEMENT (the "Agreement") is entered into and made effective as of the _____ day of _____ 20___, by and between **BAD ASS COFFEE COMPANY OF HAWAII, INC**, a Utah limited liability company (hereinafter referred to as "Franchisor ') and the undersigned (referred to herein as "Recipient")

RECITALS

WHEREAS, Recipient or his or her business entity has entered into a Franchise Agreement with Franchisor for the operation of a Bad Ass Coffee of Hawaii® franchise business ("Franchise"), and

WHEREAS, Franchisor has developed confidential and proprietary mixes recipes processes, spices, methods and formulas for the operation of Recipient's Bad Ass Coffee of Hawaii® Franchise or Recipient's employer's Bad Ass Coffee of Hawaii® Franchise and will continue to develop new recipes and revise current mixes, recipes and other menu items (collectively the "Recipes"), and

WHEREAS, Recipient will have access to the confidential and proprietary Recipes, and

WHEREAS, Recipient recognizes the value and confidentiality of the Recipes, and the importance of keeping the Recipes confidential

NOW, THEREFORE, in consideration of the use of the Recipes in the Recipient's Franchise and the recitals, mutual promises and covenants herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows

1 Acknowledgement Recipient acknowledges that he or she has obtained or may obtain proprietary and confidential Recipes developed and owned or licensed by Franchisor or its parent affiliate or other entity, which are necessary and essential to the operation of the Franchise, and without which information the Franchise could not efficiently, effectively and profitably operate Recipient further acknowledges that such confidential and proprietary information was not known to him or her prior to association with Franchisor or the Franchise

2 Non-Disclosure Except as may be required under the Franchise, Recipient will not, during the term of the Franchise Agreement and any extensions or Successor Franchise or at any time thereafter, directly or indirectly, use, or disclose to any third party, or authorize any third party to use, any Recipe, Including ingredients, procedures for making, temperatures, and measurements, and agrees not to copy, transmit, recreate, or otherwise reproduce said Recipes at any time Each employee authorized to use the Recipes in the operation of the Franchise will be required to sign a Confidential Recipe Agreement prior to use of the Recipes Furthermore, Recipient represents and warrants that it will only authorize employees over the age of eighteen (18) to have access to or use the recipes A copy of all such signed agreements will be promptly (within 10 days) provided to Franchisor

3 No Reverse Engineering Recipient will not, either personally or in concert with others, or through other authorization reverse engineer, decompile or deconstruct or attempt to reverse engineer, decompile or deconstruct any Recipe, and will not allow, encourage or permit any partner, owner, director, member, manager, agent, employee or other person with access to the Recipes to do so For purposes of this Confidential Recipe Agreement, reverse engineering will include any deviations from the Recipes that make minimal changes to the process, procedure, or ingredients such that the final result is identical or substantially similar to the result that would reasonably be expected to result from the Recipes

4 Duty to Notify Recipient agrees to notify Franchisor of any reasonably suspected attempts to violate the terms or purposes of this Confidential Recipe Agreement and further agrees to require all its employees to report to it any reasonably suspected attempts to violate this the terms or purposes of this Confidential Recipe Agreement In the event it is discovered that Recipient knew or had reason to know of any suspected attempts to violate the terms or purposes of this Confidential Recipe Agreement, Recipient agrees to indemnify Franchisor for all costs and fees associated with enforcement, and to reimburse Franchisor for those losses sustained due to such violation

5 Limited Use Recipient must limit their use of the Recipes Including their recollection of the Recipes, to the performance of their duties as described in the Franchise Agreement, the Manuals, and any policies and procedures implemented by the Franchisor

6 Return of Materials At the expiration, transfer or termination of the Franchise Agreement, Recipient agrees to have delivered to Franchisor (and will not keep a copy in his or her possession or deliver to anyone else) any and all records, data, photographs, notes, manuals, lists, correspondence, specifications, materials, other documents or property, or reproductions relating to, directly or indirectly, any such Recipes Including any Recipe book(s) or Manuals

7 Irreparable Harm Recipient hereby acknowledges and agrees that any breach by him or her of Sections 1 through 6 above, inclusive, will cause damage to Franchisor and the Bad Ass Coffee of Hawaii® franchise system in an amount difficult to ascertain Accordingly, in addition to any other relief to which Franchisor may be entitled, Franchisor will be entitled to temporary, preliminary, and/or permanent injunctive relief for any breach or threatened breach by Recipient of any of the terms of Section 1 through 6 above, inclusive, without proof of actual damages or requirement to post bond that have been or may be caused to the Bad Ass Coffee of Hawaii® franchise system or Franchisor by such breach

8 Modification Recipient hereby agrees that, without limitation, any modifications, alterations, changes, or improvements conceived, designed, devised, developed, perfected or made by Recipient, whether alone or in conjunction with others, and related in any manner to the actual or anticipated operation of the Franchise, Franchisor's system, or to any area of research and development, must be promptly disclosed to the Franchisee and will become the property of the Franchisor, and Recipient hereby irrevocably assigns, transfers, and conveys any such to Franchisor

9 Enforceability If any portion of this Agreement will be held invalid or inoperative, then, so far as is reasonable and possible, the remainder of this Agreement will be considered valid and operative, and effect will be given to the intent manifested by the portion held invalid or inoperative Whenever the context so requires, the masculine will include the feminine and neuter and the singular will include the plural and conversely

10 Binding Agreement This Agreement will bind the successors and assigns of the Recipient and his or her heirs, personal representative, successors and assigns No rights under this Agreement will be assignable by any Recipient and any purported assignment will be null and void and of no force or effect

11 Survival of Covenants All covenants made in this Agreement by Recipient will survive the expiration, transfer or termination of the Franchise Agreement or this Agreement

12 Modification of Agreement This Agreement may be amended in whole or in part only by an agreement in writing signed by each of the parties

13 Notices All notices permitted or required under this Agreement will be in writing and will be delivered as follows with notice deemed given as indicated (i) by personal delivery when delivered personally, (ii) by overnight courier upon written verification of receipt, (iii) by telecopy or facsimile transmission when confirmed by telecopier or facsimile transmission, or (iv) by certified or registered mail, return receipt requested

14 Attorneys Fees In the event any action in law or equity or any arbitration or other proceeding is brought for the enforcement of this Agreement or in connection with any of the provisions of this Agreement, the successful or prevailing party or parties will be entitled to reasonable attorney's fees and other costs reasonably incurred in such action or proceeding

15 Governing Law The validity, enforcement, construction, rights and liabilities of the Parties and provisions of this Agreement will be governed by and interpreted in accordance with the laws of the State of Utah without giving effect to its conflicts of laws provisions If for any reason court action is filed, Recipient consents to the jurisdiction of the courts of record in the State of Utah and agrees that proper jurisdiction and venue will be exclusively in the state and federal courts of Salt Lake County, State of Utah

16 Counterpart Signatures This Agreement may be signed in counterparts by facsimile, electronic signature, or scanned and emailed signature, or similar electronic means, which will be deemed the same as an original signature and may be used for all purposes as if it were an original, and when said counterparts have been exchanged between the parties, they will be of full force and effect

RECIPIENT ACKNOWLEDGES THAT HE OR SHE HAS READ THIS AGREEMENT AND UNDERSTANDS ITS CONTENTS

IN WITNESS WHEREOF, the parties have executed this Agreement effective the day

and year first herein above written

FRANCHISOR	RECIPIENT
BAD ASS COFFEE COMPANY OF HAWAII, INC	
By _____ (Signature)	_____ (Signature)
Name _____	_____ (Print Name)
Title _____	

EXHIBIT "A-6"
TO THE FRANCHISE AGREEMENT

EMPLOYEE CONFIDENTIAL RECIPE AGREEMENT

This EMPLOYEE CONFIDENTIAL RECIPE AGREEMENT is entered into this ____ day of _____, 20__, between _____, LLC/Inc ("Franchisee") and ("Employee"), residing at _____

_____

[City] [State] [Zip Code]

WHEREAS, Franchisee is the holder of a **BAD ASS COFFEE COMPANY OF HAWAII, INC** ("BACH") franchise ("Bad Ass Coffee of Hawaii® Franchise") and as such is the beneficiary of certain confidential and proprietary information of Bad Ass Coffee of Hawaii®, and

WHEREAS, BACH has developed confidential and proprietary mixes, recipes, spices, processes, methods and formulas for the operation of Bad Ass Coffee of Hawaii® franchise businesses within BACH's system, and BACH will continue to develop new recipes and revise current mixes, recipes, spices, processes, methods, formulas and other menu items (collectively the "Recipes"), and

WHEREAS, Employee is currently employed by Franchisee and desires to continue his or her employment with Franchisee, and Employee is over 18 years of age, and

WHEREAS, Employee may in the course of his or her employment by Franchisee have access to the Recipes, and

WHEREAS, Employee recognizes the value and confidentiality of the Recipes, and the importance of keeping the Recipes confidential

NOW, THEREFORE, in consideration of the employment of Employee by Franchisee, the parties hereto agree as follows

1 Acknowledgement Employee acknowledges that during the course of his or her employment by Franchisee he or she has obtained or may obtain knowledge of the Proprietary Information and other confidential matters and procedures developed, licensed to or owned by %% and made available to Franchisee, which are necessary and essential to the operation of the business of Franchisee, which without such information, Franchisee could not efficiently, effectively and profitably operate its Bad Ass Coffee of Hawaii® Franchise Employee further acknowledges that such confidential and proprietary information was not known to him or her prior to his or her employment or association with Franchisee or the Franchise

2 Non-Disclosure Except as may be required in the performance of duties for Franchisee, Employee will not, during the course of his or her employment or at any time

thereafter, directly or indirectly, use, or disclose to any third party, or authorize any third party to use any Recipe including without limitation, the temperatures, ingredients, systems or measurements for Recipes, or any other information relating to the Recipes, and agrees not to copy, transmit, recreate or otherwise reproduce the Recipes at anytime

3 No Reverse Engineering Employee will not, either personally, in concert with others or through other authorization, reverse engineer, decompile or deconstruct or attempt to reverse engineer, decompile or deconstruct any Recipe, and will not allow, encourage or permit any partner, owner, director, member, manager, agent, employee or other person to do so For purposes of this Confidential Recipe Agreement, reverse engineering will include any deviations from the Recipes that make minimal changes to the process, procedure, or ingredients such that the final result is identical or substantially similar to the result that would reasonably be expected to result from the Recipes

4 Duty to Notify Employee agrees to notify Bach or Franchisee or Employee's immediate superiors of any reasonably suspected attempts to violate the terms or purposes of this Agreement or to otherwise disclose, copy or reproduce any Recipes In the event it is discovered that Employee knew or had reason to know of any suspected attempts to violate this Agreement and fails to report such knowledge, Employee agrees to indemnify Franchisor for all costs and fees associated with enforcement, and to reimburse Franchisor for those losses sustained due to such violation Employee agrees to cooperate with BACH in its attempts to enforce the terms of this Agreement and to otherwise protect the Recipes, and to cooperate with Franchisee and %% to the extent Franchisee is obligated to cooperate with BACH's attempts to enforce its rights in and to the Recipes

5 Limited Use Employee must limit his/her use of the Recipes to times, places, and circumstances as directed by Franchisee or its authorized representatives only This limitation includes, but is not limited to, Employee's use, whether in part or in whole, of the Recipes (and including Employee's use of the Recipes for personal consumption) outside Employee's specific employment duties

6 Return of Materials Immediately upon the termination of employment, Employee agrees to deliver to Franchisee (and will not keep in his or her possession or deliver to anyone else whether in hard or electronic soft copy) any and all records, data, photographs, notes, manuals, lists, correspondence, specifications, materials, other documents or property, or reproductions relating to, directly or indirectly, any such Recipes Including any Recipe book(s)

7 Irreparable Harm Employee hereby acknowledges and agrees that any breach by him or her of Sections 1 through 6 above, inclusive, will cause damage to Franchisee and %% in an amount difficult to ascertain Accordingly, in addition to any other relief to which Franchisee may be entitled, either Franchisee or BACH will be entitled to enforce this Agreement and to seek temporary, preliminary, and/or permanent injunctive relief for any breach or threatened breach by Employee of any of the terms of Section 1 through 6 above, inclusive, without proof of actual

damages that have been or may be caused to Franchisee or BACH by such breach, and without the requirement of posting bond

8 Modification Employee hereby agrees that, without limitation, any modifications, alterations, changes, or improvements conceived, designed, devised, developed, perfected or made by Employee, whether alone or in conjunction with others, and related in any manner to the actual or anticipated operation of the Franchise, BACH's system, or to any area of research and development, must be promptly disclosed to the Franchisee and will become the property of the %%, and Employee hereby irrevocably assigns, transfers, and conveys any such to BACH

9 Enforceability If any portion of this Agreement will be held invalid or inoperative, then, so far as is reasonable and possible, the remainder of this Agreement will be considered valid and operative, and effect will be given to the intent manifested by the portion held invalid or inoperative Whenever the context so requires, the masculine will include the feminine and neuter and the singular will include the plural and conversely

10 Survival of Covenants All covenants made in this Agreement by Employee will survive the termination of Employee's employment with Franchisee or the expiration, transfer or termination of this Agreement

11 Modification of Agreement This Agreement may be amended in whole or in part only by an agreement in writing signed and dated by the parties

13 Attorneys Fees In the event any action in law or equity or any arbitration or other proceeding is brought for the enforcement of this Agreement or in connection with any of the provisions of this Agreement, the successful or prevailing party or parties will be entitled to reasonable attorney's fees and other costs reasonably incurred in such action or proceeding

[*Signature Page Follows*]

EMPLOYEE ACKNOWLEDGES THAT HE OR SHE HAS READ THIS AGREEMENT AND UNDERSTANDS ITS CONTENTS

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the day and year first herein above written

FRANCHISEE	EMPLOYEE
_____(LLC/INC)	_____
	(Signature)
By _____	
(Signature)	Name _____
Name _____	(Print Name)
(Print Name)	
Title _____	Age _____
Date _____	Date _____

For persons under 18 years of age, a parent or legal guardian must sign the above Confidential Recipe Agreement and complete the following section

I, _____ (Parent/Guardian), the undersigned and the parent and natural guardian of _____ (minor's name), hereby acknowledge that I have executed the foregoing Confidential Recipe Agreement for and on behalf of the minor named herein I represent that I have legal capacity and authority to act for and on behalf of the minor named herein As the natural or legal guardian of such minor, I hereby bind myself, the minor, and our successors and assigns to the obligations and liabilities of the foregoing Confidential Recipe Agreement

SIGNED AND WITNESSED this ___ day of _____, 20____

Signature of Parent/Guardian _____

Name of Parent/Guardian _____

Address _____

_____

Phone _____

EXHIBIT "A-7"
TO
FRANCHISE AGREEMENT

LANDLORD'S CONSENT TO ASSIGNMENT

_____ ("Landlord") hereby consents to an assignment of the lease agreement ("Lease Agreement") to Bad Ass Coffee Company of Hawaii, Inc , ("Franchisor") for the purpose of securing the obligations of _____ ("Lessee" and Franchisor's franchisee) to Franchisor In the event of Lessee's breach of the Lease Agreement, Landlord will not take any action to terminate said lease without first giving the Franchisor thirty (30) days notice of such breach and an opportunity, but not the obligation, to cure said breach within such notice period

Landlord agrees that if Lessee defaults under the Lease Agreement, or if Lessee defaults under its franchise agreement with Franchisor, Franchisor will have the right, but not the obligation, for forty-five (45) days after termination of the Lease Agreement, or franchise agreement to take possession of the premises and assume or reassign the Lease Agreement, or sublet the premises to another franchisee for the remaining term of the Lease Agreement, provided that Landlord will have the right to reasonably approve such reassignment or subletting

The Landlord further covenants that so long as Franchisor has not entered into possession of the leased premises it will not be liable for rent or any other obligation under the Lease Agreement, but that Lessor will look to Lessee for all obligations under the Lease Agreement Notices to Franchisor will be sent to _____, _____, _____, Utah 84___

Dated this _____ day of _____ 20___

Landlord

By _____
Its

SUBSCRIBED AND SWORN to before me this _____ day of _____, 20__

_____
NOTARY PUBLIC

Seal

EXHIBIT "A-8"
TO THE FRANCHISE AGREEMENT

SITE LOCATION AGREEMENT
ADDENDUM TO BAD ASS COFFEE OF HAWAII™
FRANCHISE AGREEMENT

THIS SITE LOCATION AGREEMENT ("Agreement") is made and entered into on the ____ day of _____, 20___, by and between BAD ASS COFFEE COMPANY OF HAWAII, INC (hereinafter referred to as "We", "Us" or "Our" and at times "Franchisor") and _____ (hereinafter referred to as "You" or "Your" and at times ' Franchisee") Capitalized terms used herein will have the meaning set forth in the Franchise Agreement, unless otherwise defined herein

RECITALS

WHEREAS, You have entered into a certain Franchise Agreement with Us of even date herewith ('Franchise Agreement"), and

WHEREAS, You have not found a location for Your Franchise Business

NOW THEREFORE, in consideration of the mutual and reciprocal covenants, promises, recitals, terms and conditions herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each Party, the Parties hereby agree as follows

1 Section 4 1 of the Franchise Agreement is amended, in part, to provide, You will have thirty (30) days from the date hereof to identify the proposed location of Your Bad Ass Coffee of Hawaii® Franchise to be located in one of the following area or areas _____, and _____ and to give written notice thereof to Us for approval We have four (4) weeks to approve the location

2 Upon Our written approval, the location of Your Franchise Business will be entered as an amendment and attached as an addendum to Your Franchise Agreement and Your Territory will be identified as part of Your Franchise Agreement and by reference made a part thereof Your Franchise Business must be opened within twelve (12) months from the date of Your Franchise Agreement

3 You hereby ratify and affirm Your Franchise Agreement and except as modified herein, all other terms and conditions of the Franchise Agreement will remain in full force and effect as currently set forth therein

IN WITNESS WHEREOF, and by their signatures below, the Parties hereto acknowledge that they have read, understand and agree to all of the terms and provisions of this Agreement and have caused this Agreement to be executed as of the date first above written with the full authority of the Company Principal they represent

FRANCHISOR	FRANCHISEE
BAD ASS COFFEE COMPANY OF HAWAII, INC	_____ (LLC/INC)
By _____ (Signature)	By _____ (Signature)
Name _____	Name _____
Title _____	Title _____

EXHIBIT "A-9"
TO FRANCHISE AGREEMENT

STATE SPECIFIC ADDENDA

ILLINOIS FRANCHISE AGREEMENT ADDENDUM

Article XIX
CONSTRUCTION AND JURISDICTION

Paragraphs 19 1, 19 2 and 19 3 are hereby amended in part to provide This Agreement shall be governed, construed and interpreted in accordance with the laws of the State of Illinois without regard to its laws relating to conflicts of laws or choice of laws Notwithstanding the foregoing the Federal Arbitration Act and the United States Trademark Act shall apply to this Agreement and the relationship of the Parties Any provision in this Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action enforceable in the state of Illinois and all litigation will commence in Illinois courts, provided that the Agreement may provide for arbitration in a forum outside of the State of Illinois If the governing law requires terms other than or in addition to those in this Agreement, then such terms shall be deemed incorporated herein, but only if necessary to prevent the invalidity of this Agreement or any of the provisions hereof or the imposition of civil or criminal penalties or liability If permitted by the laws of the state whose laws govern this Agreement, You hereby waive any provisions of law or regulations which render any portion of this Agreement invalid or unenforceable in any respect If any provisions of this Agreement are, or shall come in conflict with any applicable law, then the applicable law shall govern and such provisions shall be automatically deleted and shall not be effective if they are not in accordance with applicable law and the remaining terms and conditions of this Agreement shall remain in full force and effect All words in this Agreement shall be deemed to include any number or gender as the context or sense of this Agreement requires

Paragraph 19 4 is hereby amended in part to provide Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of Illinois law is void This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Illinois Franchise Disclosure Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code

Article V
FEES & REPORTS

Paragraph 5 1 is hereby amended in part to provide All initial franchise fees owed to Franchisor shall be deferred until the Franchisor has provided its initial obligations to Franchisee and Franchisee has commenced doing business pursuant to the Franchise Agreement

IN WITNESS WHEREOF, the Franchisor and Franchisee have respectively signed and sealed this Franchise Agreement as of the ____ day of _____, 20___

FRANCHISOR	FRANCHISEE
BAD ASS COFFEE COMPANY OF HAWAII, INC	
By _____	By _____
Its President	Its

MARYLAND FRANCHISE AGREEMENT ADDENDUM

The franchise agreement is hereby amended in part to provide

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise registration and Disclosure Law

Any litigation between franchisee and franchisor may be instituted in any court of competent jurisdiction, including a court in the State of Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise

The franchise agreement provides for termination upon bankruptcy This provision may not be enforceable under federal bankruptcy law

All initial fees and payments to Bad Ass Coffee Company of Hawaii, Inc prior to your franchise opening will be held in an escrow account with EagleBancorp, Inc in Maryland pending satisfaction of our material pre-opening obligations to you

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law

IN WITNESS HEREOF, each of the undersigned parties hereby acknowledge that they have read this Addendum, understand its contents and consent to be bound by all of its terms and agree that it shall become effective as of the date of the Franchise Agreement

FRANCHISOR	FRANCHISEE
BAD ASS COFFEE COMPANY OF HAWAII, INC	_____, **LLC/INC**
By _____	By _____
Its President	Its

ADDENDUM TO FRANCHISE AGREEMENT FOR THE STATE OF VIRGINIA

This Addendum Agreement is made contemporaneously with the Franchise Agreement dated this ___ day of _____, 20__, by and between **Bad Ass Coffee Company of Hawaii, Inc**, hereinafter referred to at times as "Franchisor" and at times as "We" or "Us" and _____, INC, hereinafter referred to at times as "Franchisee" and at times as "You" or "Your"

RECITALS

WHEREAS, Franchisee has purchased a BACH® store ("Store"), and

WHEREAS, Franchisee desires to enter into a Franchise Agreement with Franchisor, and

WHEREAS, Franchisor and Franchisee have agreed to make revisions to or otherwise amend the Franchise Agreement as set forth herein below, and

WHEREAS, all capitalized terms used, but not defined, herein shall have the respective meanings assigned to them pursuant to the Franchise Agreement, and all references herein to "Article" and "Paragraphs" shall refer to articles and paragraphs of the Franchise Agreement

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and promises in the Franchise Agreement and herein, it is hereby agreed as follows

1 Article V of the Franchise Agreement is amended, in part by adding the following paragraph

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires Us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the Franchisor until the Franchisor has completed its pre-opening obligations under the Franchise Agreement

Except as expressly amended or modified herein, all terms, provisions and conditions of the original Franchise Agreement shall remain in full force and effect In the event of a conflict or inconsistency between the provisions of this Addendum and any provisions of the original Franchise Agreement, the provisions hereof shall in all respects govern and control

IN WITNESS HEREOF, each of the undersigned parties hereby acknowledge that they have read this Addendum, understand its contents and consent to be bound by all of its terms and agree that it shall become effective as of the date of the Franchise Agreement

FRANCHISOR-	FRANCHISEE
BAD ASS COFFEE COMPANY OF HAWAII, INC	**_____, LLC/INC**
By _____	By _____
Its President	Its

ADDENDUM TO FRANCHISE AGREEMENT FOR THE STATE OF HAWAII

This Addendum Agreement is made contemporaneously with the Franchise Agreement dated this ___ day of _____, 20__, by and between **Bad Ass Coffee Company of Hawaii, Inc**, hereinafter referred to at times as "Franchisor" and at times as "We" or "Us" and _____, INC , hereinafter referred to at times as "Franchisee" and at times as "You" or "Your "

RECITALS

WHEREAS, Franchisee has purchased a BACH® store ("Store'), and

WHEREAS, Franchisee desires to enter into a Franchise Agreement with Franchisor, and

WHEREAS, Franchisor and Franchisee have agreed to make revisions to or otherwise amend the Franchise Agreement as set forth herein below, and

WHEREAS, all capitalized terms used, but not defined, herein shall have the respective meanings assigned to them pursuant to the Franchise Agreement, and all references herein to "Article" and "Paragraphs" shall refer to articles and paragraphs of the Franchise Agreement

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and promises in the Franchise Agreement and herein, it is hereby agreed as follows

1 Article V of the Franchise Agreement is amended, in part by adding the following paragraph

Payment of all initial franchise fees owed to the Franchisor by the Franchisee will be deferred until after all initial obligations owed to the Franchisee under the Franchise Agreement or other agreements have been fulfilled by the Franchisor and the Franchisee has commenced doing business pursuant to the Franchise Agreement

Except as expressly amended or modified herein, all terms, provisions and conditions of the original Franchise Agreement shall remain in full force and effect In the event of a conflict or inconsistency between the provisions of this Addendum and any provisions of the original Franchise Agreement, the provisions hereof shall in all respects govern and control

IN WITNESS HEREOF, each of the undersigned parties hereby acknowledge that they have read this Addendum, understand its contents and consent to be bound by all of its terms and agree that it shall become effective as of the date of the Franchise Agreement

FRANCHISOR	FRANCHISEE
BAD ASS COFFEE COMPANY OF HAWAII, INC	**_____, LLC/INC**
By _____ Its President	By _____ Its

EXHIBIT "B"
TO THE FRANCHISE DISCLOSURE DOCUMENT

CONFIDENTIAL INFORMATION APPLICATION

Confidential Information Application

(Complete in full and do not use abbreviations please print clearly or type)
The filing of this confidential application does not obligate the applicant to become a franchisee of Bad Ass Coffee Company of Hawaii Inc

PERSONAL INFORMATION

Applicant's Name (Last, First, Middle) _____

Home Address _____

Years There _____ **E-Mail Address** _____ **Social Security Number** _____

City _____ **State** _____ **Zip Code** _____ **Phone ( )** _____

Date of Birth _____ **Marital Status** _____ **Spouse's Name** _____

Spouse's Occupation _____ **Total No of Dependents** _____

Names (ages) of Dependents _____

_____

EDUCATION

Last Year of School Completed _____ **College or University** _____ **Degrees** _____

Describe any training in sales, management, or retailing _____

_____

CRIMINAL HISTORY

Have you ever been convicted of a misdemeanor? Yes _____ **No** _____

If yes, explain _____

Have you ever been convicted of a felony? Yes _____ **No** _____

If yes, explain _____

BUSINESS EXPERIENCE

1 Present/Most Recent Position _____ **Company** _____

Dates Employed _____ **Company Address (Street, City, State, Zip Code)** _____

Phone ( ) _____ **May we contact you at your business phone?** _____

Describe duties, no of employees supervised, and responsibilities _____

Annual income _____ **May we contact?** _____ **Reason Left** _____

Previous Business Experience (list in order) If additional space is needed, attach separate sheet

2 Position _____ Company _____

Dates Employed _____ Company Address (Street, City, State, Zip Code) _____

Phone ( )_____ May we contact you at your business phone? _____

Describe duties, no of employees supervised, and responsibilities _____

Annual income _____ May we contact? _____ Reason Left _____

3 Position _____ Company _____

Dates Employed _____ Company Address (Street, City, State, Zip Code) _____

Phone ( )_____ May we contact you at your business phone? _____

Describe duties, no of employees supervised, and responsibilities _____

Annual income _____ May we contact? _____ Reason Left _____

OTHER PERTINENT BUSINESS INFORMATION

Have you ever owned a business? If yes, state details _____

List other branded or franchise, retail goods or services _____

MANAGEMENT GOALS

Do you plan to devote full time to this venture? _____ Are you willing to relocate? _____ Do you plan to have equity partners? _____

Geographic Area of Interest (please describe) _____

Please briefly describe why you want to become a _____ Franchisee? _____

_____

_____

List any hobbies, community activities, special interests or other pertinent information _____

_____

_____

REFERENCES

List two (2) personal references you have known at least two years (not former employers or relatives)			
Name	Address (City, State, Zip Code)	Relationship	Phone #

List banks, finance companies, savings & loans, money market funds, and other financial institution references					
Name of Bank or Institution	Mailing Address	City & State	Zip Code	Contact	Phone #

List all businesses in which you have financial interest.				
Name of Business	Address (City, State, Zip Code)	Position	Year Started	Income

Credit References				
Name of Company	Address	City & State	Zip Code	Phone #

Business References				
Name of Individual	Address	City & State	Zip Code	Phone #

Attach additional sheets if more space is needed for the above

(Applicants Name)

PERSONAL FINANCIAL STATEMENT AS OF / /

ASSETS		LIABILITIES	
Cash on Hand and in Bank (Itemize in Schedule A)		Notes Payable to Bank(s) (Itemize in Schedule H)	
Mortgages or Notes Due to Me (Itemize in Schedule B)		Loans Against Cash Value of Life Insurance	
Other Notes/Accounts Due Me (Itemize in Schedule C)		Notes Payable to Others (Itemize in Schedule H)	
Stocks and Bonds (Itemize in Schedule D)		Other Accounts Payable (Itemize on separate page if more than $5 000)	
Cash Value of Life Insurance (Itemize in Schedule E)		(a) Credit Cards	
Real Estate Owned (Itemize in Schedule F)		(b) Charge Accounts	
Equipment/Office Furniture (Itemize in Schedule G)		(c) Other Bills Payable	
Household Furnishings and Other Personal Property		Real Estate Mortgage Payable (Itemize in Schedule F)	
Other Assets (Automobile(s)) and Business Ventures		Taxes Due (Itemize in Schedule I)	
		Other Liabilities (Itemize below)	
Total Assets (Add all of the above)		Total Liabilities (Add all of the above)	
Annual Personal Income		Net Worth (Assets minus Liabilities)	
		Total Liabilities and Net Worth	

Do you have any contingent liabilities, such as endorser, co-maker or guarantor? _____

Have you ever been involved as a debtor in proceedings under the U S Bankruptcy Code? Yes ____ No ____
If so, explain _____

Schedule A Cash on Hand and in Bank (Attach copies of statements)

Name of Bank	City & State	Account #	Balance

Schedule B Mortgages or Notes Due to Me

Address of Property	Maker of Mortgage or Note	City & State	Balance

Schedule C Other Notes or Accounts Due to Me

Maker of Note	Description of Note	City & State	Balance

Schedule D Stocks and Bonds (Attach copies of statements)

Name of Company/Broker	Account Market Value	Amount Pledged and to Whom

Schedule E Cash Value of Life Insurance

Name of Insurance Company	City & State	Face Amount	Cash Value

Schedule F Real Estate Owned

Description of Property	Name on Title	Cost	Market Value	Balance Owed	Mortgage Holder

Schedule G Equipment or Office Furniture					
Description of Property	**Name on Owner**	**Cost**	**Market Value**	**Balance Owed**	**Mortgage Holder**

Schedule H Notes Payable to Banks and Others				
Name of Note Holder	**City & State**	**Original Balance**	**Balance Owed**	**Terms**

Schedule I Taxes Due			
Type of Tax	**Amount Owed**	**Date Due**	**Unpaid from Prior Year**

I submit the above information as my complete and true personal and financial condition as of the date shown below In accordance with the Privacy Act (5 U S C 552 a), Freedom of Information Act and The Fair Credit Reporting Act, I expressly authorize any past or present employer, any law enforcement agency, federal state or local, or any person who has personal knowledge of my character, work experience or criminal records to release this information to Bad Ass Coffee Company of Hawaii, Inc ("Franchisor") I understand and acknowledge that, as a condition of being considered for the Bad Ass Coffee of Hawaii® franchisee training program, I must submit to a credit history check to be performed by a credit reporting agency of Franchisor s choice and authorizes and requests any consumer reporting agency to provide such information to Franchisor I understand that the credit reporting agency will make the results of the credit history check available to Franchisor and that Franchisor may use those results as a factor in determining whether I will be granted a Bad Ass Coffee of Hawaii® franchise. If requested by Franchisor, I agree to supply statements from my professional advisors (i e , banker broker accountant or attorney) verifying the above assets, and I also agree to furnish copies of Federal Income Tax Returns as filed for the last five years I understand that Franchisor is relying upon all the above information as a material factor in considering my application to become a Bad Ass Coffee of Hawaii® franchisee, and I therefore agree to promptly notify Franchisor of any material change in any of the above information or any subsequent information provided to Franchisor In addition, I release all persons from liability as a result of reporting true, accurate information I also certify that neither I nor any of my funding sources, is or has ever been a terrorist or suspected terrorist, or a person or entity described in Section 1 of U S Executive Order 13224 issued September 23, 2001, as such persons and entities are further described at the Internet website www ustrease gov/offices/enforcement/ofac I agree to comply with and/or to assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the above law

Authorized Signature (required) _____ **Date** _____

Print Name _____ **Title** _____ **Telephone ( )** _____

After completion of this Application, please email, fax, or mail Application and attachments to

Bad Ass Coffee Company of Hawaii, Inc
Email connie@badasscoffee com
Mail 155 West Malvern Ave, Salt Lake City, Utah 84115

If you are applying as a Company organized as a Corporation limited liability company or partnership please complete the following information in full and do not use abbreviations please print clearly or type The filing of this confidential application does not obligate the applicant to become a franchisee of Bad Ass Coffee Company of Hawaii Inc In order to use this application your company must have audited or reviewed financial statements

COMPANY INFORMATION

Company _____

Address _____

City _____ State _____ Zip Code _____ Phone ( )_____

Company Name _____ Fed ID# _____

State of Organization _____ Telephone ( )_____ Fax ( )_____

Company Address _____ County _____

City & State/Province/Area _____ Zip/Postal Code _____ Country _____

Key Contact Person _____Title/Position _____

COMPANY OFFICERS (TITLES)

1 Name _____ Title _____

2 Name _____ Title _____

3 Name _____ Title _____

4 Name _____ Title _____

Geographic Area of Interest (please describe) _____

_____

_____

List other branded or franchise retail goods or services

_____

CREDIT INFORMATION

Primary Bank _____ Contact _____ Telephone ( )_____

Address _____ City State & Zip Code _____

Credit Reference _____ Contact _____ Telephone ( )_____

Address _____ City State & Zip Code _____

Credit Reference _____ Contact _____ Telephone ( )_____

Address _____ City ,State & Zip Code _____

LITIGATION AND CRIMINAL HISTORY

Has your Company ever been convicted of a crime? Yes _____ No ____

If so explain _____

_____

Has your Company ever been involved in a civil litigation? Yes _____ No ____

If so explain _____

_____

BANKRUPTCY

Has your Company ever been involved as a Debtor in proceedings under the U S Bankruptcy Code? Yes _____ No ____

If so explain _____

_____

BUSINESS ACTIVITIES

Explain what the focus of your Company is (sales manufacturing, services etc _____

_____

_____

Identify what products your Company produces/sells _____

_____

_____

Specify what services your Company provides _____

_____

_____

Please attach all required documents

√ Audited or Reviewed Company Financial Statements
√ Certified Articles of Incorporation, Partnership Documents, or equivalent
√ Company Description—Business Summary, Brochure, or Annual Report
√ Individual Applications for Officers or Prospective Partners

I submit the above information as my complete and true personal and financial condition as of the date shown below In accordance with the Privacy Act (5 U S C 552 a) Freedom of Information Act and The Fair Credit Reporting Act, I expressly authorize any past or present employer, any law enforcement agency federal, state or local, or any person who has personal knowledge of my character, work experience or criminal records to release this information to Bad Ass Coffee Company of Hawaii, Inc ("Franchisor") I understand and acknowledge that, as a condition of being considered for the Bad Ass Coffee of Hawaii® franchise training program, I must submit to a credit history check to be performed by a credit reporting agency of Franchisor s choice I understand that the credit reporting agency will make the results of the credit history check available to Franchisor and that Franchisor may use those results as a factor in determining whether I will be granted a Bad Ass Coffee of Hawaii® franchise If requested by Franchisor, I agree to supply statements from my professional advisors (i e., banker, broker, accountant or attorney) verifying the above assets, and I also agree to furnish copies of Federal Income Tax Returns as filed for the last five years I understand that Franchisor is relying upon all the above information as a material factor in considering my application to become a Bad Ass Coffee of Hawaii® franchise, and I therefore agree to promptly notify Franchisor of any material change in any of the above information or any subsequent information provided to Franchisor In addition, I release all persons from liability as a result of reporting true, accurate information I also certify that neither I nor any of my funding sources, is or has ever been a terrorist or suspected terrorist or a person or entity described in Section 1 of U S Executive Order 13224, issued September 23, 2001, as such persons and entities are further described at the Internet website www ustrease gov/offices/enforcement/ofac I agree to comply with and/or to assist Franchisor to the fullest extent possible in Franchisor s efforts to comply with the above law

Authorized Signature (required) _____ **Date** _____

Print Name _____ **Title** _____ **Telephone ( )**_____

After completion of this Application, please email, fax, or mail Application and attachments to

Bad Ass Coffee Company of Hawaii, Inc
Email connie@badasscoffee com
Mail 155 West Malvern Ave, Salt Lake City, Utah 84115

EXHIBIT "D"
TO THE FRANCHISE DISCLOSURE DOCUMENT

SCHEDULE AND LOCATION OF FRANCHISEES
AS OF DECEMBER 31, 2014

OPEN FRANCHISES

CALIFORNIA

Bad Ass Coffee of Hawaii
11460 Kenyon Way Suite 108
Rancho Cucamonga, CA 91701
(909) 652-0755
Franchisee Dave & Cheryl Wagner

Bad Ass Coffee of Hawaii
90 Mark West Springs Rd Ste 100
Santa Rosa, CA 95404
(707) 526-3434
Franchisee Robert Moxley, Laughing Toucan, Inc

Bad Ass Coffee of Hawaii
9878 Carmel Mountain Road Ste C
San Diego, CA 92129
(858) 240-7077
Franchisee Loc (Nick) & Lynh Tram

FLORIDA

Bad Ass Coffee of Hawaii
1708 Scenic Gulf Drive
Miramar Beach, FL 32550
(850) 269-3997
Franchisee Ken Lawson

Bad Ass Coffee of Hawaii
1307 Third St S
Naples, FL 34102
(239) 213-0527
Franchisee Hanalei Bay Coffee Co Inc
Donald & April Garrett

Bad Ass Coffee of Hawaii
1014 Underwood Avenue
Pensacola, FL 32504
(850) 478-0634
Franchisee Ed Lemox

Bad Ass Coffee of Hawaii
17 Uptown Grayton Circle
Santa Rosa Beach, FL 32459
(850) 797-1026
Franchisee Ken Lawson

HAWAII

Bad Ass Coffee of Hawaii
3636 L Honoapiilani Rd
Lahaina, HI 96761
(808) 877-5477
Franchisee Chris Burns

Bad Ass Coffee of Hawaii
671 Front Street
Lahaina, HI 96761
(808) 661-0942
Franchisee Chris Burns

MONTANA

Bad Ass Coffee of Hawaii
112 N Washington St
Dillon, MT 59725
(406) 683-9004
Franchisee Tom & Dina Trang

NEVADA

Mobile Unit
Las Vegas, NV 89130
(702) 281-9632
Franchisee John & Stephanie Helms

NEW MEXICO

Bad Ass Coffee of Hawaii
965 F Highway 550
Bernalillo, NM 87104
(505) 850-9635
Franchisee Melissa Clement

OREGON

Bad Ass Coffee of Hawaii
143 South Riverside Ave , Ste A
Medford, OR 97501
(541) 282-9660
Franchisee Mark Owen

Bad Ass Coffee of Hawaii
750 Crater Lake Avenue
Medford, OR 97504
(541) 779-0974
Franchisee Steve & Lori Furst & Sheila Baker

UTAH

Bad Ass Coffee of Hawaii
3530 S State St
Salt Lake City, UT 84115
(801) 265-1182
Franchisee Mike Hennessy

VIRGINIA

Bad Ass Coffee of Hawaii
619 18th Street
Virginia Beach, VA 23451
(757) 233-4007
Franchisee Mila & Cris Elliott & Milene Gengler

VIRGIN ISLANDS

Bad Ass Coffee of Hawaii
5330 Yacht Haven Grande Ste 103
St Thomas, VI 00802
Franchisee Paul Willis

PUERTO RICO

Bad Ass Coffee of Hawaii
202 San Francisco Street
Old San Juan
San Juan, Puerto Rico 00901
management@badasscoffeepr com
Franchisee Miguel A Rodriguez

JAPAN

Rusion Kanmia 1F
1-3-11 Hagoromo-cho
Naka-ku, Yokohama 231-0047

LuRaRa Kohoku Yokohama Kanagawa
LuRaRa Kohoku 4F
2-2-1 Nakagawa Chuo
Tuzuki-ku Yokohama Kanagawa 224-0003

Kaihin Makuhari 1F
1-14 Anue Makuhari Hibiro Mihama-ku
Chiba-shi Chiba 261-0021

Tech Pit Garden
235 Yawata Tateyama
Chiba 294-0047

NEW FRANCHISE STORES SCHEDULED TO OPEN IN 2017

(Franchise Agreement signed, but not open)

FLORIDA

Bad Ass Coffee of Hawaii
327 Harbor Blvd
Destin, FL 32541
(850) 797-1026
Franchisee Ken Lawson
*Temporarily closed to relocate

NEW MEXICO

Bad Ass Coffee of Hawaii
Albuquerque, NM
(505) 452-1789
Franchisee Bernadette Mendez & Morry & Sara Roybal

FRANCHISES TERMINATED, TRANSFERRED, CANCELLED, NOT RENEWED OR OTHERWISE CEASED TO DO BUSINESS IN 2016**

MONTANA

Bad Ass Coffee of Hawaii
135 South Atlantic St
Dillon, MT 59725
(406) 683-6595
Franchisee Neal & Colleen Davis
*Transferred

NEW YORK

Bad Ass Coffee of Hawaii
1571 Route 9
Wappinger Falls, NY 12590
(845) 632-7060
Franchisee John Ferrara & Jill Johnston
*Ceased to Operate

**If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system

EXHIBIT "E"
TO THE FRANCHISE DISCLOSURE DOCUMENT

LIST OF AGENTS FOR SERVICE OF PROCESS

California	Commissioner of Business Oversight Department of Business Oversight 1515 K Street, Suite 200 Sacramento, CA 98514 (916) 445-7205 Toll free at 1-866-275-2677
Georgia	Secretary of State of Georgia Corporations Division 2 Martin Luther King, Jr Dr , SE Suite 315, West Tower Atlanta, Georgia 30334
Hawaii	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722
Illinois	Chief, Franchise Division Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465
Indiana	Indiana Secretary of State 201 State House Indianapolis, IN 46204
Maryland	Maryland Securities Commissioner Division of Securities Office of Attorney General 200 St Paul Place Baltimore, MD 21202-2020 (410) 576-6360

Michigan	Antitrust and Franchise business Michigan Department of the Attorney General's Office Franchise Administrator Consumer Protection Division 6546 Mercantile Way Lansing, MI 48910 (517) 373-7117
Minnesota	Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 500 St Paul, MN 55101 (612) 296-6328
New York	New York Department of State Once Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492
North Dakota	North Dakota Securities Department 600 East Boulevard Avenue State Capital Fifth Floor Dept 414 Bismarck, ND 58505-0510 (701) 328-4712
Oregon	Director of Insurance & Finance Business Service Division of Finance and Corporate Securities Labor and Industries Building Salem, OR 97310 (503) 378-4387
Rhode Island	Chief Securities Examiner of Business Regulation Department of Business Regulation Securities Division 1511 Pontiac Avenue John O Pastore Complex – Building 69-1 Cranston, RI 02920 (401) 462-9527

South Dakota Department of Labor & Regulation
Division of Securities
124 South Euclid Avenue, Suite 104
Pierre, SD 57501
(605) 773-4823

Utah Bad Ass Coffee Company of Hawaii, Inc
Michael Bilanzich, Registered Agent
155 West Malvern Avenue
Salt Lake City, Utah 84115

Virginia Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, VA 23219

Washington Director of Financial Institutions
150 Israel Road SW
Tumwater, WA 98501
(360) 902-8760

Wisconsin Wisconsin Commissioner of Securities
Franchise Investment Division
Fourth Floor
101 East Wilson Street
Madison, WI 53702

Alberta, Canada

Director of Franchises
Alberta Securities Commission
21st Floor
10025 Jasper Avenue
Edmonton, Alberta TSJ 3Z5
Canada
(403) 427-5201

EXHIBIT "F"
TO THE FRANCHISE DISCLOSURE DOCUMENT

LIST OF STATE AGENCIES RESPONSIBLE FOR FRANCHISE DISCLOSURE/REGISTRATION LAWS

California

Department of Business Oversight

Sacramento

1515 K Street, Suite 200
Sacramento, California 95814-4052
(916) 445-7205
Toll free at 1-866-275-2677

San Diego

1350 Front Street, Room 2034
San Diego, California 92101-3697
(619) 525-4233
Toll free at 1-866-275-2677

San Francisco

One Sansome Street, Ste 600
San Francisco, California 94104
(415) 972-8559
Toll free at 1-866-275-2677

Los Angeles

320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7500
Toll free at 1-866-275-2677

Connecticut

Securities and Business Investment Division
Connecticut Department of Banking
260 Constitution Plaza
Hartford, Connecticut 06103-1800
(860) 240-8233

Florida

Department of Agriculture and Consumer Services
Division of Consumer Services
P O Box 6700
Tallahassee, Florida 32314-6700
(805) 488-2221
Fax (805) 410-3804

Georgia

Secretary of State of Georgia
Corporations Division
2 Martin Luther King, Jr Dr , SE
Suite 315, West Tower
Atlanta, Georgia 30334

Hawaii

Department of Commerce and Consumer Affairs
Business Registration Division
Commissioner of Securities
P O Box 40
Honolulu, Hawaii 96810
(808) 586-2744

Illinois

Franchise Bureau
Office of Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4436

Indiana

Franchise Section
Indiana Securities Division
Secretary of State
Room E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

Iowa

Iowa Securities Bureau
340 Maple
Des Moines, Iowa 50319-0066
(515) 287-4441

Maryland

Office of the Attorney General,
Division of Securities
200 St Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

Michigan

Michigan Attorney General's Office
Consumer Protection Division
Attn Franchise Section
525 West Ottawa Street
Williams Building, 6th Floor
Lansing, Michigan 48933
(517) 373-7117

Minnesota

Franchise Examiner
Minnesota Department of Commerce
Market Assurance Division
85 7th Place East, Suite 500
St Paul, Minnesota 55101-2198
(651) 296-6328

Nebraska

Department of Banking and Finance
Bureau of Securities/Financial Institutions Division
1526 K Street, Suite 300
Lincoln, NE 68508-2732
(402) 471-3445

New York

Office of the New York State Attorney General
Investor Protection Bureau
Franchise Section
120 Broadway, 23rd Floor
New York, New York 10271-0332
Phone (212) 416-8236
Fax (212) 416-6042

North Dakota

Franchise Examiner
North Dakota Securities Department
600 East Boulevard Avenue
State Capitol Fifth Floor, Dpt 414
Bismarck, North Dakota 58505-0510
(701) 328-4712

Oregon

Department of Consumer and Business Services
Division of Finance and Corporate Securities
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4140
Fax (503) 947-7862

Rhode Island

Department of Business Regulation
Securities Division
1511 Pontiac Avenue
John O Pastore Complex-69-1
Cranston, Rhode Island 02920-4407
(401) 462-9527

South Dakota

Department of Labor & Regulation
Division of Securities
124 S Euclid Ave, Suite 104
Pierre, South Dakota 57501-3185
(605) 773-4823
FAX (605) 773-5953

Texas

Statutory Document Section
Secretary of State
P O Box 12887
Austin, Texas 78711
Street Address
1719 Brazos
Austin, Texas 78701
(512) 475-1769

Utah

Division of Consumer Protection
Utah Department of Commerce
160 East Three Hundred South
SM Box 146704
Salt Lake City, Utah 84114-6704
(801) 530-6601
Fax (801) 530-6001

Virginia

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9051

Washington

Department of Financial Institutions
Securities Division
P O Box 9033
Olympia, Washington 98507-9033
(360) 902-8760

Wisconsin

Division of Securities
Department of Financial Institutions
P O Box 1768
Madison, Wisconsin 53701
(608) 266-2801

Federal Trade Commission

Division of Marketing Practices
Bureau of Consumer Protection
Pennsylvania Avenue at 6th Street, NW
Washington, D C 20580
(202) 326-3128

EXHIBIT "G"
TO THE FRANCHISE DISCLOSURE DOCUMENT

THE BAD ASS COFFEE COMPANY OF HAWAII™
OPERATIONS MANUAL

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EXHIBIT "H"
TO THE FRANCHISE DISCLOSURE DOCUMENT

AREA DEVELOPER AGREEMENT

BAD ASS COFFEE OF HAWAII®
AREA DEVELOPER AGREEMENT

THIS AREA DEVELOPER AGREEMENT (the "Agreement") is made and entered into effective the ____ day of _____, 20___ by and between **BAD ASS COFFEE COMPANY OF HAWAII, INC** , a Utah corporation ("We" or "Us" and at times "Franchisor"), and _____ **LLC/INC** , a _____ limited liability company/corporation ("You" or "Your" and at times "Area Developer")

RECITALS

WHEREAS, We have developed a system for the operation of Bad Ass Coffee Of Hawaii® Franchise Units, offering to the public beverages, merchandise, and other limited-menu items (hereinafter "Franchise Business") The system includes, among other things specific Marks, standards, manuals, recipes, food, mixes, operating procedures, marketing concepts and presentation, specifications for certain equipment, supply items and confidential information, herein at times the "System" and at times the "Bad Ass Coffee Of Hawaii® System," and

WHEREAS, recognizing the value of the System and the benefits which may be obtained by use of the System, You desire to acquire the right to develop and operate multiple Bad Ass Coffee Of Hawaii® Franchise Units in the Territory described below and pursuant to the terms and conditions of this Agreement, and

WHEREAS, You understand and acknowledge the importance of Our high standards of quality and the necessity of operating Your Franchise Units in strict conformity with Our quality control standards and specifications, and

WHEREAS, You declare You have had a copy of the Bad Ass Coffee Of Hawaii® Franchise Disclosure Document for at least 14 calendar days or 10 business days, whichever is applicable prior to signing this Agreement or making any payment to Us, and

WHEREAS, You declare that You have fully investigated and have familiarized Yourself with the essential aspects and purposes of the System as developed by Us, and

WHEREAS, all capitalized terms used, but not defined, herein shall have the respective meaning assigned to them pursuant to the Franchise Agreement

NOW THEREFORE, in consideration of the mutual and reciprocal covenants, promises, recitals, terms and conditions herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, the parties hereby agree as follows

Article 1 - Definitions

1 1 Unless otherwise clearly required by the context, when used in this Agreement the following terms will have the following described meanings

1 1 1 "Franchise" A business which has signed our Franchise Agreement to operate a Franchise Unit in the Territory

1 1 2 "Franchise Agreement" Our agreement which licenses the right for a person or entity to use Our Marks and System for the operation of a Bad Ass Coffee Of Hawaii® Franchise Unit at a single designated location

1 1 3 "Franchise Unit" "Unit" or "Franchise Business" A Bad Ass Coffee Of Hawaii® Franchise business using the System for which a Bad Ass Coffee Of Hawaii® Franchise Agreement has been duly executed

1 1 4 "Including" Throughout this Agreement, the term "Including" or "Includes" will mean, "including but not limited to", "Including," and similar all-inclusive and non-exhaustive meanings

1 1 5 "Marks" Refers to any and all of Our trademarks, service marks, trade names, logos, slogans, trade dress, color schemes, designs, equipment designs and related commercial symbols whether or not registered by Us and all goodwill related thereto associated with the products or any other business, products and services of the Franchisor or its affiliates

1 1 6 "Manuals" Refers to one or more operational or policies and procedures manual, technical bulletins or other written materials and may be modified by Us periodically The Manual may be in printed or in an electronic format at Our discretion We reserve the right to require You to use an electronic version of the Manual and to require You to access the document using the Internet or an intranet created and supported by Us

1 1 7 "Owners" Refers to You and the owners of any entity owning the Franchise, Unit, if any

1 1 8 "Territory" The geographical area set forth in Exhibit "A" attached hereto and by reference made a part hereof

Article 2 - Territory Rights

2 1 Rights Subject to the terms and conditions of this Agreement and the continuing faithful performance by You of Your obligations hereunder, during the term of this Agreement, You have the right and obligation to develop and operate Bad Ass Coffee Of Hawaii® Franchise Businesses in the Territory in accordance with the Development Schedule set forth on Exhibit "B' ("Development Schedule") attached hereto and by reference made a part hereof, utilizing the System and the Marks in the Territory upon execution of a separate Franchise Agreement for each Franchise Unit You develop You will identify a location for each Franchise Unit and, after the location is approved by Us, the location will be set forth in the Franchise Agreement for that Franchise Unit We will not establish or sell franchises within the Territory while this Agreement is in effect We have the right to reasonably require You to amend the Development Schedule to add additional Franchise Businesses to be developed

2 2 Character of Rights The rights set forth herein are territorial only and do not grant or imply any license or franchise for You to use the Marks or System in any manner This Agreement shall not create or grant rights or obligations outside the Territory Nothing contained herein will prevent Us from granting the right to establish or operate, or Ourselves establishing, owning and operating Bad Ass Coffee Of Hawaii® Franchise Businesses or similar operations outside of Your Territory Furthermore, We and Our affiliates expressly reserve the right to sell market and distribute the Bad Ass Coffee Co ® products in the Territory and elsewhere without compensation to You using other marketing strategies and distribution channels, including, but not limited to, catalog sales, direct sales, mobile units, sales to and through the Internet, retail units and wholesale outlets, and to sell non-traditional franchise locations at Our discretion both within and without Your Territory such as convention centers, sporting arenas, airports, or other similar locations We also reserve the right to set up a mobile unit program for our franchisees The non-traditional locations We sell will not be counted toward Your development obligations set forth in the Development Schedule We also reserve the right to use other and different proprietary marks in connection with the sale of franchises, products or services similar to, the same as, or dissimilar from those which You will use in Your Franchise Businesses at any location, including in the Territory, without compensation to You We, Our other Area Developers, and Our franchisees are not restricted from advertising their Bad Ass Coffee Of Hawaii® Franchise Business in Your Territory The rights and privileges granted to You under this Agreement are personal in nature

2 3 System Modifications We may, at any time, in Our reasonable discretion, change or modify the System or add to or delete from the System In such event, We will notify You of any such changes, modifications, additions or deletions, and You shall accept, be bound by, use and immediately take steps to implement any such changes in the Territory We have complete ownership and control of any changes, modifications, enhancements or suggestions whether made or implemented by Us or You

Article 3 - Development & Term

3 1 Minimum Development Schedule

3 1 1 You agree to use Your best efforts to develop and continuously operate Your Franchise Units in the Territory in strict compliance with the System and Manuals during the term hereof Without limiting the foregoing obligation, in order to retain the rights granted hereunder, You agree to open, as Your minimum development obligation hereunder during the term hereof, the number of Bad Ass Coffee Of Hawaii® Franchise Units set forth in the Development Schedule A Franchise Unit shall be counted for the purposes of meeting Your development obligation only if it is an open and functioning Franchise Business located within the Territory

3 1 2 Once the minimum development obligation is reached as set forth in the Development Schedule, You agree to continue to develop and continuously operate Franchise Units in the Territory as commercially reasonable during the term of this Agreement

3 2 Franchise Locations The location of each Franchise Unit shall be selected by You, but must be approved in writing by Us, as further set forth in Your Franchise Agreements You must employ a local real estate agent to assist you in the selection of your site A separate Franchise Agreement must be executed for each Franchise Unit in Your Territory as developed as further provided in Article 5 hereof You must not make any commitments to acquire sites for Your Franchise Units, whether by purchase, lease or other method, until We have approved the site in writing

3 3 Failure to Meet Development Schedule In the event You fail to meet the Development Schedule or any of Your other development obligations, We shall have the right to exercise, in addition to the remedies and cure periods set forth in Articles 9 and 10 below, in Our sole discretion, any or all of the following

1 Terminate this Agreement upon written notice to You as provided in Article 9 hereof,

2 Terminate the territorial exclusivity granted to You,

3 Reduce the size of the Territory, and/or

4 Accelerate the Development Schedule immediately upon written notice

3 3 1 Time is of the essence with respect to compliance with the Development Schedule, payment of the balance of the Franchise Fees under Section 4 2, obtaining the right to occupy the premises of each Franchise Unit, and any and all other obligations of Yours under this Agreement

3 4 Term The term of this Agreement is the Development Period set forth on Exhibit "B "

Article 4 - Fees

4 1 Area Development Fee You agree to pay a one-time, non-refundable Area Development Fee (' Development Fee") of _____dollars ($_____) payable in full upon execution hereof The Development Fee is equal to $5,000 multiplied by the minimum number of Franchise Units to be developed as set forth in the Development Schedule

4 2 Additional Units If you wish to purchase more Franchise Units than the number of Units listed in the Development Schedule, you must pay a Development Fee of _____ Thousand Dollars ($_____) for each additional Franchise Unit to be developed ("Unit Deposit") These deposit fees are non-refundable and are applied to the initial franchise fees of the Units as developed

4 3 Franchise Fee In addition, for each Franchise Unit opened or operated by You during the term hereof, You agree to pay Us a franchise fee of Thirty-Five Thousand Dollars ($35,000) ("Franchise Fee") in one lump sum prior to the development of each Franchise Unit as provided in the Development Schedule

4 4 Non Refundable The Area Development Fees and the Franchise Fees are not refundable

Article 5 - Franchise Agreement(s)

5 1 Franchise Agreement Each Franchise Unit as opened by You in the Territory, pursuant to this Agreement, shall be governed by Our then-current Franchise Agreement executed by You and Us A Franchise Agreement for each Franchise Unit must be executed and delivered to Us and the Franchise Fee paid at the beginning of the development and prior to commencing construction or improvements, acquisition or lease of any related real property, or any other development activity or operations for each Franchise Unit

5 2 Modification of the Franchise Agreement We reserve the right, from time-to-time, to amend, change or modify Our Franchise Agreement prior to the time it is signed by You

5 3 Guaranty You agree that if You are an entity, all of the Owners owning a twenty percent (20%) or greater interest in the Franchise Business must personally guarantee the performance under each Franchise Agreement, and agree to be bound by, and liable for, the breach of every provision of the Franchise Agreement

5 4 First Franchise Unit You acknowledge that the Franchise Agreement governing Your first Franchise Unit to be opened under the Development Schedule is being executed concurrently with this Agreement

Article 6 - Operating Standards and Covenants

You agree that

6 1 Knowledge You will acquire and maintain sufficient knowledge and experience involving the Bad Ass Coffee Of Hawaii® System so as to be able, in good faith, to develop the Franchise Units in a timely, efficient and professional manner

6 2 Compliance You will, at Your expense, comply with all applicable laws, ordinances, rules and regulations pertaining to the development and operation of Your Franchise Business as contemplated herein, Including a license and/or permit for the operation of Your Bad Ass Coffee Of Hawaii® Franchise Unit(s)

6 3 Cost of Doing Business You shall be responsible for all Your costs of doing business, Including taxes, permits, licenses, fees, postage, telephone, training, photocopying, employees, supplies, inventory, salaries, travel, on-going service obligations and other costs and expenses in connection with Your obligations herein

6 4 Franchise Obligations You agree to pay promptly all of Your obligations and liabilities to Us and Your suppliers, vendors, lessor and trade accounts You shall be responsible and liable for the prompt payment of all of Your taxes, including, but not limited to, income taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes and similar taxes and personal property and real estate taxes payable as a result of Your Franchise Business We shall have no liability for these or any other taxes and You will indemnify and hold Us harmless from any such taxes that may be assessed or levied against Us which arise or result from Your Franchise Business

6 5 Periodic Reports You agree to provide to Us, no later than the 15th day of each month, a written monthly progress report of Your preceding month's activities and progress in developing and establishing Franchise Units in Your Territory

6 6 Your Performance You must comply with all other duties, obligations and requirements set forth in this Agreement, Your Franchise Agreement(s) and Our Manuals

6 7 Indemnification You agree to protect, indemnify and hold Us harmless from and against any and all claims, proceedings, expenses, costs, damages and liabilities, including, but not limited to, legal fees incurred by Us or Our officers, directors, members, managers and agents because of any act, neglect or omission of Yours or Your employees, customers, agents or guests Including malfeasance, misstatements made to Area Developers, customers or franchisees, nonfeasance, failure to perform, and breach of Your duties and obligations under this Agreement

Article 7 - Confidential Information

7 1 Confidential Information Nothing in this Agreement shall be construed to require Us to divulge to You any confidential information Except for knowledge already in Your possession not disclosed to You by Us or currently in the public domain, You acknowledge that Your entire knowledge of the operation of the Bad Ass Coffee Of Hawaii® System and the contemplated Franchise Business, Including the contents of the Manuals, including recipes and recipe books, and the specifications, standards and operating procedures for the Bad Ass Coffee Of Hawaii® Franchise Units, development schedules and marketing plans are derived from information disclosed to You by

Us and that such Manuals and such other confidential information is confidential or a trade secret of Ours You agree that You will maintain the absolute confidentiality of the Manuals and all such other confidential information during and after the term hereof, disclosing the same to employees of Your Franchise Business only to the extent necessary for the operation of the Franchise Business in accordance with this Agreement, and that You will not use the System, Manuals and such other confidential or trade secret information in any other business or in any manner not specifically authorized or approved in writing by Us

7 2 Confidentiality of this Agreement You agree that all terms of this Agreement shall remain confidential and You shall not make any public announcement, issue any press release or publicity, make any confirmation of statements made by third parties concerning the terms of this Agreement, or make any other disclosures without Our prior written consent It is agreed and understood that You may disclose the terms of this Agreement only to Your professional lenders and advisors

Article 8 - Marks

8 1 Ownership of Marks You acknowledge that You have no proprietary interest whatsoever in the Bad Ass Coffee Of Hawaii® Marks or derivatives thereof and that Your right to use the Marks is derived solely from Your Franchise Agreement(s) and is limited to the conduct of Your Franchise Businesses pursuant to and in compliance with this Agreement and Your Franchise Agreement(s) and all applicable specifications, standards and operating procedures prescribed by Us Any unauthorized use of the Marks by You constitutes an infringement of Our rights in and to the Marks

8 2 Use of Marks You cannot use any of the Marks as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs or symbols, or in any modified form without Our consent, nor may You use any Mark in connection with the sale of any unauthorized products or service or in any other manner not expressly authorized under this Agreement You agree to obtain such fictitious or assumed name registrations as may be required by Us or applicable law

Article 9 - Our Right of Termination

9 1 Termination In addition to the other rights of termination, We may have at law or equity or as contained in this Agreement, We shall have the following rights of termination

9 1 1 45 – Day Cure Period If You fail to meet Your development obligations, at any time, as set forth in Article 3 hereof above, Your rights hereunder shall automatically terminate effective forty-five (45) days after delivery of notice of default, if not otherwise cured within the forty-five (45) days notice period

9 1 2 No Cure Period You agree that upon a violation or default under paragraphs (1) through (7) below, this Agreement will automatically terminate without written notice to You

1) You or any of Your Owners makes an unauthorized assignment of this Agreement or any ownership change without Our consent, which consent will not be unreasonably withheld or delayed,

2) You or any of Your Owners take action, commit, are convicted of, plead guilty to, or plead no contest to a charge of violating any felony law or other crime or offense that We believe is reasonably likely to have an adverse effect on Your Franchise Units or the System,

3) You consistently (three (3) or more times) fail to timely pay any of Your payment obligations or liabilities owing to Us,

4) You are insolvent or a party to any bankruptcy, receivership or similar proceeding, other than as a creditor, file for bankruptcy or receivership or similar protection or You are adjudicated bankrupt,

5) You make an assignment for the benefit of creditors or enter into any similar arrangement for the disposition of Your assets for the benefit of creditors,

6) You voluntarily or otherwise abandon the development of the Franchise Units in the Territory hereunder,

7) You repeatedly fail to materially comply with this Agreement, whether or not such failures to comply are corrected after notice thereof

9 1 3 30 – Day Cure Period For all other defaults, Including your failure to cure any default under any Franchise Agreement owned by You or Your officers, directors, members, managers, owners or an affiliated entity, We shall have the right to terminate this Agreement effective upon thirty (30) days after delivery of notice of termination to You if such default is not cured within the thirty (30) day cure period

Article 10 - Obligations Upon Termination or Expiration

10 1 Our Rights Upon Termination Upon expiration or termination of this Agreement, for any reason, Your rights under this Agreement are terminated We will be free to own or operate Bad Ass Coffee Of Hawaii® Franchise Businesses and to franchise others to do so anywhere in the Territory other than in locations for which You have an existing signed and fully compliant Franchise Agreement The foregoing are in addition to any other right or remedy We may have at law or in equity

10 2 Operating Units After termination or expiration of this Agreement, so long as You are not in default under the terms and conditions of Your respective Franchise Agreement(s), You may still continue to own and operate Your individual Franchise Units in the Territory that are owned and operated by You prior to termination, so long as You are not in default and continue to faithfully perform the terms and conditions of such Franchise Agreement(s) However, You will cease to have any exclusivity rights with regard to the ongoing development of Franchises in the

Territory, and You will forfeit any contractual right You may have to purchase additional Franchise Units within the Territory

10 3 Cross Default If any Franchise Agreement for one of Your Franchise Businesses is terminated for any reason, We will have the right to terminate this Agreement upon written notice to You

Article 11 - Unfair Competition and Non-Competition Covenant

11 1 In-Term Covenant During the term of this Agreement and any extensions hereof, You agree that neither You nor Your family, nor any shareholders, owners, partners, directors, members, managers, officers, agents, affiliates, principal employees, nor any partner in a partnership franchise, will own, operate, lease, franchise, conduct, consult with, engage in, be connected with, have any interest in, or assist any person or entity engaged in or on its own account or as an employee, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership, or corporation engaged in any coffee or beverage business or similar business or other business offering products or services the same as or substantially similar to Your Franchise Businesses or the System in any capacity or location, except with Our prior written consent You understand and acknowledge that to violate this Section will create irreparable harm

11 2 Post-Term Covenant Upon termination or expiration of this Agreement, and for a continuous, uninterrupted period of three (3) years thereafter, neither You, nor Your family, nor any of principals members, owners, partners, managers, officers, directors, agents, affiliates or principal employees, will, directly or indirectly, participate as an owner, operator, shareholder, director, partner, member, manager, consultant, agent, employee, advisor, officer, lessor, lessee, franchisor, Area Developer or serve in any other capacity whatsoever or have any interest in or assist any person or entity in any business, firm, entity, partnership or company engaged in a coffee or beverage business or a business using a business format which is the same as or similar to Franchisor's System within Your Territory or within three (3) miles of Your Territory or within three (3) miles of the territory of any System franchise or Bad Ass Coffee™ business operation at the time of termination or expiration of this Agreement The ownership of not more than two percent (2%) of the voting stock of a publicly held corporation will not be considered a violation of the foregoing provision

11 3 In the event You compete during the term of non-competition, this non-compete time period will be extended for the period of Your competition plus an additional six (6) months

11 4 Enforceability It is the desire and intent of the parties to this Agreement that the provisions of this Article 11 be enforced to the fullest extent permissible under the laws and public policy applied in each jurisdiction in which enforcement is sought Accordingly, if any part of this Article is adjudicated to be invalid or unenforceable, then this Article will be deemed amended to delete that portion thus adjudicated to be invalid or unenforceable, and such deletion will apply only with respect to the operation of that Section or Paragraph and then only in the particular jurisdiction in which said adjudication is made Further, to the extent any provision of this Agreement is deemed to be unenforceable by virtue of its scope, but may be made enforceable by limitation, the parties

agree that the same shall, nevertheless, be enforceable to the fullest extent permissible under the laws and public policies applied in such jurisdiction where enforcement is sought

11 5 Claims Not a Defense You expressly agree that the existence of any claims You may have against Us, whether or not arising from this Agreement, shall not constitute a defense to Our ability to enforce the covenants of this Article 11 You agree to pay all costs and expenses, Including reasonable attorney's fees, incurred by Us in connection with the enforcement of this Article 11

11 6 Irreparable Injury You acknowledge that Your violation of the terms of this Article 11 would result in irreparable injury to Us for which no adequate remedy at law may be available You accordingly agree that We shall be entitled to temporary, preliminary, and/or permanent injunctive relief for any breach or threatened breach by any or all any of the terms of this Article 11 without proof of actual damages that have been or may be caused to Us by such breach

11 7 Additional Covenants At Our request, You must require and obtain execution of covenants similar to those set forth in this Article 11 from any or all of the following persons (a) all owners, partners, directors and managers and the like of Your Franchise Businesses, (b) all officers, directors, members, managers and holders of a beneficial interest of five percent (5%) or more of any corporation directly or indirectly controlling You if You are an entity, and (c) the general partners and any limited partners if You are a partnership All covenants required herein shall be in forms satisfactory to Us, Including specific identification of Us as a third party beneficiary of such covenants with the independent right to enforce them Your failure to obtain execution of a covenant required herein shall constitute a default of this Agreement

Article 12 - Assignment

12 1 By Franchisor This Agreement is fully assignable and transferrable by Us and shall inure to the benefit of any assignee, transferee or other legal successor to Our interests and obligations herein

12 2 By Area Developer and Your Owners You understand and acknowledge that the rights and duties created by this Agreement are personal to You and that We have granted this Agreement in reliance upon Your agreement to comply with all the terms and conditions of this Agreement, and Your individual character, skill, aptitude, attitude, business ability and financial capacity Therefore

12 2 1 Neither this Agreement nor any interest therein may be voluntarily, involuntarily, directly or indirectly, assigned, sold or otherwise transferred by You or Your Owners, Including by consolidation or merger, or by issuance of securities representing an ownership interest, without Our prior written approval, which approval will not be unreasonably withheld

12 2 2 Any such assignment or transfer without such approval shall constitute a breach hereof and will not convey any rights to or interests in this Agreement to such assignee

12 2 3 Consent to an assignment otherwise permissible under this Article 12 may be refused by Us, unless, prior to the effective date of the assignment (a) all of Your obligations incurred in connection with this Agreement have been assumed by the assignee, (b) You shall have paid fees and other amounts owing Us, (c) the assignee or its owners meet Our criteria for new Area developers and franchisees, (d) the assignee or its owners have completed the training program required of new franchisees and are willing to execute and be bound by Our then-current Area Developer Agreement, (e) You or Your assignee have paid a transfer fee to Us of Five Thousand Dollars ($5,000) plus transfer fees as set forth in each Franchise Agreement assigned or transferred, (f) You or Your assignee shall have paid a training fee at Our then current rate to cover training expenses, and (g) You and Your Owners, representatives and/or agents have signed a general release in Our favor

12 2 4 You must remain liable for all direct and indirect obligations under this Agreement and Your Franchise Units prior to the effective date of the transfer and will continue to remain responsible for Your obligations of nondisclosure, noncompetition and indemnification as provided in the Franchise Agreements, and must execute any and all instruments reasonably requested by Us to evidence such liability

12 2 5 Any assignment, transfer or other disposition by You of a single-unit Franchise Business within the Territory will be governed by the Franchise Agreement to which such single-unit Franchise Business is bound

12 3 Transfers to Competitors Prohibited In order to maintain the confidentiality of the proprietary information of the System, neither You or any of Your owners, partners, members, managers, officers or directors, may sell, transfer, assign or pledge any part of this Franchise Agreement or any part of his or her ownership in Your entity, if applicable, to a competitor of Ours or an affiliate of a competitor of Ours without Our written permission Any such sale, transfer, assignment or pledge without Our written approval shall be considered void ab initio

12 4 Right of First Refusal of the Franchisor If You or Your Owners shall, at any time determine to sell, assign or transfer this Agreement, or an interest therein, or an ownership interest in Your entity of more than forty percent (40%), then You or Your Owners must obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and must submit an exact copy of such offer to Us We shall have the right, exercisable by written notice delivered to You or Your Owners within sixty (60) days from the date of delivery of an exact copy of such offer to Us, to purchase this Agreement and the development rights thereunder, or such interest in this Agreement, or such ownership interest in You for the price and on the terms and conditions contained in such offer, provided that We may substitute cash for any form of payment proposed in such offer and We shall have not less than sixty (60) days from the date We give notice to You of Our intent to purchase, to prepare for closing If We do not exercise Our right of first refusal, You or Your Owners may complete the sale to such purchaser pursuant to and on the terms of such offer, provided that if the sale to such purchaser is not completed within one hundred fifty (150) days after delivery of such offer to Us, or if there is a material change in the terms of the sale that are less beneficial to You, We shall again have the right of first refusal upon the terms and conditions herein provided

12 3 1 In the event You wish to publicly offer Your shares in any partnership or corporation which has an ownership interest in You, said public offering shall be subject to the approval of Us, which approval shall not be unreasonably withheld

12 3 2 Each shareholder or member of Your entity, if You are a corporation or other business entity, must be a party to an agreement which shall provide, inter alia, that upon any dissolution of the corporation or other business entity, or upon any divorce decree among the parties who are also owners, that ownership of the ownership interest will be transferred to the other owner, for agreed upon consideration, which has primary responsibility for sales and marketing activities, typically the president, or manager following any such dissolution or decree The form and content of the shareholders agreement must be approved by Us prior to execution

Article 13 - Notices

13 1 Notices All notices permitted or required under this Agreement must be in writing and shall be delivered as follows with notice deemed given as indicated (i) by personal delivery when delivered personally, (ii) by overnight courier upon written verification of receipt, (iii) by telecopy or facsimile transmission, during normal business hours, Monday through Friday, holidays excepted, when confirmed by telecopier or facsimile transmission, (iv) through the email address below or other authorized email address when confirmed by receipt verifications, which confirmation cannot be withheld or otherwise denied, or (v) by certified or registered mail, return receipt requested, three (3) days after deposit in the mail addressed as follows

If to Us **BAD ASS COFFEE COMPANY OF HAWAII, INC**
155 West Malvern Avenue
Salt Lake City, Utah 84115
Email _____

If to You _____
_____
_____
Email _____

Article 14 - Representations

14 1 Your Efforts You understand that the success or failure of the development of Franchise Units in the Territory and the Franchise Units depends, in major part, upon Your efforts

YOU REPRESENT, COVENANT, AND AGREE THAT WE HAVE MADE NO REPRESENTATIONS OR WARRANTIES CONCERNING INCOME GUARANTEES, PROJECTIONS, AND WE DISCLAIM ANY WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, AS TO THE POTENTIAL SUCCESS OF YOUR BUSINESS OPERATIONS UNDER THIS AGREEMENT YOU ACKNOWLEDGE AND AGREE THAT AS OF THE DATE OF THIS AGREEMENT YOU HAVE HAD NO KNOWLEDGE OF ANY REPRESENTATION

MADE BY US OR OUR REPRESENTATIVES OF ANY INFORMATION THAT IS CONTRARY TO THE TERMS CONTAINED HEREIN

YOU FURTHER REPRESENT, COVENANT AND AGREE THAT YOU HAVE THE BUSINESS ACUMEN, CORPORATE AUTHORITY AND FINANCIAL WHEREWITHAL TO ENTER INTO THIS AGREEMENT AND TO PERFORM ALL OF YOUR OBLIGATIONS HEREUNDER AND FURTHERMORE THAT THE EXECUTION OF THIS AGREEMENT IS NOT IN CONTRAVENTION OF ANY OTHER WRITTEN OR ORAL OBLIGATION OF YOURS

14 2 Receipt of FDD You represent that You have had a copy of the Bad Ass Coffee of Hawaii® Franchise Disclosure Document for at least 14 calendar days or 10 business days, whichever is applicable, prior to signing this Agreement or making any payment to Us, and during which time You had the opportunity to submit the Franchise Disclosure for review by legal counsel

Article 15 - Disputes & Arbitration

15 1 Quick Resolution You and We understand that there is always a possibility of differences of opinion or other disagreements in any business relationship and agree that it is important to resolve any disputes amicably, quickly, inexpensively and professionally and to return to business as soon as possible

15 2 Manner of Handling Disputes You and We agree that except as otherwise expressly provided for herein, in the event any controversy, dispute or claim whatsoever ("Dispute") shall arise between Us or Our subsidiaries, parents and affiliates and each of Our respective shareholders, managers, officers, directors, members, agents, employees and attorneys (in their representative capacity), if applicable, and You or Your entity owners, guarantors and employees, officers, directors, members, managers, agents, and attorneys (in their representative capacity), if applicable, in connection with, arising from, or with respect to, any provision hereof, the relationship created herein, or the validity of this Agreement or any provision hereof, or the offer and sale to You, such Dispute shall be

15 2 1 Face-to-Face Meeting First discussed in a face-to-face meeting between You and Us at Our then-current headquarters and within thirty (30) days after either You or We give written notice to the other proposing such a meeting We have the right, in Our sole discretion, to waive this requirement

15 2 2 Mediation If, in the opinion of either You or Us, the face-to-face meeting requirement has not successfully resolved such matters and if desired by either You or Us, the matters will be submitted to non-binding mediation before Franchise Arbitration and Mediation Services ("FAM ') or as otherwise mutually agreed The mediation shall be conducted exclusively in Salt Lake City, Utah On election by either party, arbitration as provided below may proceed forward at the same time as mediation The mediator will be disqualified as a witness, consultant, expert or counsel for any party with respect to the dispute and any related matters

15 2 3 Arbitration If in the opinion of either You or Us the mediation has not successfully resolved such matters, at the request of either You or Us, any Dispute will be submitted for arbitration to the offices of the American Arbitration Association in accordance with its commercial arbitration rules in effect All arbitration hearings shall be conducted exclusively in Salt Lake City, Utah and shall be governed substantively by the laws of the State of Utah The arbitrator will have the power and jurisdiction to decide such controversy or dispute solely in accordance with the express provisions of this Agreement The arbitrator shall render a written opinion setting forth the facts found, law applied and reasons for the decision

(i) Arbitration Procedures In any arbitration the parties shall be entitled to specific performance of the obligations under this Agreement The arbitrator may award or otherwise provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships and other pre-judgment, equitable and/or interim relief as appropriate pending final resolution by binding arbitration of a Dispute, as well as in connection with any such final resolution, and may issue summary orders disposing of all or part of a Dispute at any point Each party consents to the enforcement of such orders, injunctions, etc , by any court having jurisdiction Offers and/or other communications made in connection with, or related in any way to, mediation, possible settlement or other resolution of a dispute shall not be admitted into evidence or otherwise used in connection with any arbitration or other proceeding, and any arbitration award in violation of this provision will be vacated by the arbitration appeal panel (described below) and/or any court having jurisdiction The arbitrator will have the power to order compliance with such discovery procedures, as well as assess sanctions for non-compliance with any order Discovery shall be controlled by the arbitrator and shall be permitted to the extent set out in this paragraph Each party may submit in writing to the other party, and the other party shall respond, to a maximum of any combination of twenty-five (25) (none of which may have subplots) of the following interrogatories, demands to produce documents, and requests for admission You and We are also entitled to take the oral deposition of one individual of the other party Additional discovery may be permitted upon mutual agreement of the parties The arbitrator, and not a court, will decide any questions relating in any way to the parties' agreement or claimed agreement to arbitrate, including a claim for fraud in the inducement or otherwise Each participant must submit or file any Dispute that would constitute a compulsory counterclaim (as defined by the applicable rule under the Federal Rules of Civil Procedure) within the same proceedings as the Dispute to which it relates Any such Dispute that is not submitted or filed in such proceedings will be forever barred The award and findings of the arbitrator shall be conclusive and binding upon all parties hereto and the judgment upon the award may be entered in any court of competent jurisdiction

(ii) Individual Disputes Any Dispute and any arbitration, will be conducted and resolved on an individual basis only and not on a class-wide, multiple plaintiff or similar basis between You and Us and will not be consolidated with any other arbitration proceeding involving Us and any other person, except that with respect to a dispute involving You and Your affiliate, You and Your affiliate may both be parties to the arbitration

(iii) Agreed Limitations Except for payments owed by one party to the other, or claims attributable to Your underreporting of sales, any legal action or arbitration proceeding (Including the offer and sale of a franchise to You) brought or instituted with respect to

any Dispute hereunder must be brought or instituted within a period of one (1) year from the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim, provided that no claim may be brought more than two (2) years after the first act or omission giving rise to an alleged claim

(iv) No Special Damages You and We waive any right or claim of any consequential, punitive or exemplary damages against each other and agree that in the event of a Dispute between You and Us, each shall be limited to the recovery of actual damages sustained You agree that We will not be liable for any act or omission which is consistent with this Agreement or which is done in subjective good faith

(v) Exceptions to Arbitration You and We agree that nothing in this Agreement obligates Us to arbitrate or mediate Disputes or issues relating to (a) the validity of the Marks, or other Intellectual Property, (b) rights to obtain a writ of attachment or other prejudgment remedies, or (c) rights to receive and enforce a temporary restraining order, preliminary injunction, permanent injunction or other equitable relief, or (d) Disputes solely for fees and other monies owed by one party to the other under this Agreement not in connection with other Disputes

(vi) Appeals If any party to an arbitration wishes to appeal any final award by an arbitrator (there will be no appeal of interim awards, or other interim relief), that party can appeal, within thirty (30) days of such final award, to a three (3) person arbitrator panel to be appointed by the same organization as conducted the arbitration to be held exclusively at the same location as specified above The issues on appeal will be limited to the proper application of the law to the facts found at the arbitration and will not include any trial *de novo* or other fact-finding function The party requesting such appeal must pay all costs and fees of the arbitrators and arbitration proceedings

(vii) Sharing of Fees Except for an appeal, the parties to the Dispute or action will share the fees and expenses of the arbitrator and arbitration organization equally during the arbitration However, the prevailing party in any arbitration, appeal or other action shall be entitled to recover the administrative costs of the arbitration proceeding, attorney's fees and the fee for the arbitrator(s)

(viii) Federal Arbitration Act You and We mutually agree that all issues relating to arbitrability are governed exclusively by the Federal Arbitration Act and the federal common law of arbitration to the exclusion of any state statutes or common law and shall be decided by the arbitrator All provisions of this Agreement pertaining to venue, choice-of-laws, dispute avoidance and resolution will be strictly enforced, and You and We will rely on federal preemption under the Federal Arbitration Act

Article 16 – General Provisions

16 1 Severability Except as expressly provided to the contrary herein, each section, subsection, paragraph, term and provision of this Agreement, and any portion thereof, shall be considered severable

16 2 Governing Law and Jurisdiction This Agreement will be governed, construed and interpreted in accordance with the laws of the State of without giving effect to its conflicts of law provisions You and We agree that the provisions of this Agreement will control the state or provincial laws by which this Agreement will be governed and any provisions of state or provincial law to the contrary or any statements in Our franchise disclosure document or otherwise required as a condition of registration or otherwise If the governing law requires terms other than or in addition to those in this Agreement, then such terms will be deemed incorporated herein, but only to the extent necessary to prevent the invalidity of this Agreement or any of the provisions hereof or the imposition of civil or criminal penalties or liability To the extent permitted by the laws of the state whose laws govern this Agreement, You hereby waive any provisions of law or regulations which render any portion of this Agreement invalid or unenforceable in any respect In order to facilitate our joint interests in having franchise issues determined in a consistent manner for application throughout the System, without in any way limiting or otherwise affecting Your and Our obligations regarding mediation and arbitration in accordance with the provisions of Article 15, if there is any litigation between us, You and We hereby irrevocably consent to the exercise of general personal jurisdiction in the courts of record of the State of Utah even though it may be otherwise possible to obtain jurisdiction elsewhere, and we both agree that Salt Lake City, State of Utah will be the exclusive venue for any litigation between Us Each party waives any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Salt Lake County, State of Utah

16 3 Waiver of Obligations You and We shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement Including, the right to demand exact compliance with every term, condition and covenant herein, or to declare any breach thereof to be a default and to terminate this Agreement prior to the expiration of its term), by virtue of any custom or practice of the parties at variance with the terms hereof or any failure, refusal or neglect of Us or You to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder

16 4 No Off-Sets or Withholdings You covenant and agree that You will not offset nor withhold the payment of any fees or other amounts due to Us or Our affiliates or suppliers on grounds of the alleged non-performance by Us of any of Our covenants or obligations hereunder, any dispute of any nature or otherwise

16 5 Cumulative Remedies Rights hereunder are cumulative and no exercise or enforcement of any right or remedy hereunder shall preclude the exercise or enforcement of any other right or remedy hereunder which You or Us are entitled by law or equity to enforce Nothing herein contained shall be interpreted as to bar or waive Our right to obtain any remedy available at law or in equity including injunctive relief

16 6 Costs and Attorney's Fees If a claim for amounts owed by You to Us is asserted in any legal proceeding before a court of competent jurisdiction, or if We or You are required to enforce this Agreement in a judicial or arbitration proceeding, the prevailing party in such proceeding shall be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees For purposes of this Agreement, "prevailing party" Includes, the Party which obtains a

judgment in their favor, or agrees to dismiss an action or proceeding upon the other's payment of sums allegedly due or performance of the covenants allegedly breached, or which obtains substantially the relief sought

16 7 Binding Effect This Agreement shall be binding upon the parties hereto and their respective assigns and successors in interest, and cannot be modified except by written agreement signed by both Us and You

16 8 Entire Agreement This Agreement, including the preambles and exhibit(s) to this Agreement, if any, are a part of this Agreement, which constitutes the entire agreement of the parties, relating to the subject matter herein, and there are no other oral or written understandings or agreements between You and Us relating to the subject matter of this Agreement No modifications of the terms of this Agreement will be valid unless made in writing and executed by both Us and You Except as otherwise expressly provided herein, nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto Nothing in this Agreement or in any related agreement is intended to disclaim the representations We made in the Franchise Disclosure Document

16 9 Interpretation of Agreement Words in the masculine gender include the feminine and neuter Use of the singular Includes the appropriate plural numbers The headings and title of this Agreement are not part of this Agreement, having been inserted for convenience of reference only, and shall have no effect upon the construction or interpretation of this Agreement

16 10 Relationship of the Parties In all matters, You are an independent contractor Nothing in this Agreement constitutes You as Our partner, agent, nor joint venture with Us and this Agreement does not create a fiduciary relationship between You and Us Neither party may act or have the authority to act as agent for the other, and neither party is liable for the debts, liabilities, taxes, duties, obligations, defaults, compliance, intentional acts, wages, negligence, errors or omissions of the other You acknowledge that You do not have authority to incur any obligations, responsibilities or liabilities on behalf of Us, or to bind Us by any representations or warranties, and You agree not to hold Yourself out as having such authority

16 11 Counterparts This Agreement, and those contemplated herein, may be executed in counterparts, including by means of telefaxed or scanned and emailed signature page or similar electronic means, each of which will be deemed an original, but all of which together will constitute one and the same document

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, We and You have respectively signed and sealed this Agreement as of the day and year first above written

FRANCHISOR	**AREA DEVELOPER**
BAD ASS COFFEE COMPANY OF HAWAII, INC	_____, **LLC/INC**
By _____	By _____
Its	Its

PERSONAL GUARANTY AND AGREEMENT TO BE BOUND PERSONALLY BY THE TERMS AND CONDITIONS OF THE AREA DEVELOPER AGREEMENT

In consideration of the execution of this Area Developer Agreement, dated the _____ day of _____, 20__, by **BAD ASS COFFEE COMPANY OF HAWAII, INC** , "Franchisor" and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors and assigns, do jointly, individually and severally hereby guaranty the full performance of the terms and conditions of and liability for the aforesaid Area Developer Agreement and related documents

Each Guarantor understands that a separate action may be brought or prosecuted against any Guarantor whether or not the action is brought or prosecuted against any other Guarantor or against Franchisee, or any or all of them, or whether any other Guarantor or Area Developer is or are joined in the action

Guarantor waives the benefit of any statute of limitations or other provision of law which in any way affects or limits Guarantor's liability under this Guaranty

This Guaranty shall be governed by the laws of the state whose laws govern the Area Developer Agreement

DATED this _____ day of _____, 20__

_____ (signature)
Print Name _____

_____ (signature)
Print Name _____

THE SIGNATURE OF EACH PERSON SIGNING THE FRANCHISE AGREEMENT MUST BE NOTARIZED

On the ___ day of _____, 20__, personally appeared before me _____, who duly acknowledged to me that **HE OR SHE** executed the above Area Developer Agreement individually

_____
NOTARY PUBLIC

On the ___ day of _____, 20__, personally appeared before me _____, who duly acknowledged to me that **HE OR SHE** executed the above guaranty individually

_____
NOTARY PUBLIC

EXHIBIT "A"
TO THE MULTI UNIT DEVELOPMENT AGREEMENT

TERRITORY

The Territory will consist of the following area _____

_____

_____

Our approval of the Territory or a location is not a guarantee or a warranty of the potential success of the Territory or a location

_____
_____
_____
_____
_____
_____
_____
_____
_____
_____

_____
Area Developer Initial and Date

_____
Area Developer Initial and Date

EXHIBIT "A-1"

MAP OF TERRITORY

Area Developer Initial and Date

Area Developer Initial and Date

EXHIBIT "B"
TO THE AREA DEVELOPER AGREEMENT

FRANCHISE UNIT
DEVELOPMENT SCHEDULE

Development Period & Term (Ending Dec 31 Each Year)	**Balance of Initial Franchise Fee Per Unit**	**Minimum Number of Franchise Units to be Opened**	**Cumulative Total of Franchise Units In Territory Open and Operating at End of Each Period**
Year 1 – 20___	$_____	_____	_____
Year 2 – 20___	$_____	_____	_____
Year 3 – 20___	$_____	_____	_____
Year 4 – 20___	$_____	_____	_____
Year 5 – 20___	$_____	_____	_____
TOTAL	$_____	_____ **Units**	_____
			Franchise Units open and in operation in the Territory at the end of the Term

_____
Area Developer Initial and Date

_____
Area Developer Initial and Date

SCHEDULE 1
TO THE AREA DEVELOPER AGREEMENT
ADDENDUM TO THE AREA DEVELOPER AGREEMENT
FOR THE STATE OF MARYLAND

The following provisions amend the Area Developer Agreement

Any litigation between franchisee and franchisor may be instituted in any court of competent jurisdiction, including a court in the State of Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise

The franchise agreement provides for termination upon bankruptcy This provision may not be enforceable under federal bankruptcy law

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law
Any general release required as a condition of renewal, assignment and/or transfer will apply to any liability under the Maryland franchise Registration and Disclosure Law

Each provision of this Addendum shall be effective only to the extent of the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law To the extent this Addendum shall be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern

The Area Developer Agreement is amended as follows All initial fees and payments to Bad Ass Coffee Company of Hawaii, Inc prior to your franchise opening will be held in an escrow account with Eagle Bancorp, Inc in Maryland pending satisfaction of our initial obligations to you

FRANCHISOR	AREA DEVELOPER
BAD ASS COFFEE COMPANY OF HAWAII, INC	_____ LLC/INC
By _____	By _____
Its President	Its _____

SCHEDULE 2
TO THE AREA DEVELOPER AGREEMENT
ADDENDUM TO THE AREA DEVELOPER AGREEMENT
FOR THE STATE OF ILLINOIS

Article 16 is hereby amended in part to provide This Agreement shall be governed, construed and interpreted in accordance with the laws of the State of Illinois without regard to its laws relating to conflicts of laws or choice of laws Notwithstanding the foregoing the Federal Arbitration Act and the United States Trademark Act shall apply to this Agreement and the relationship of the Parties Any provision in this Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action enforceable in the state of Illinois and all litigation will commence in Illinois courts, provided that the Agreement may provide for arbitration in a forum outside of the State of Illinois If the governing law requires terms other than or in addition to those in this Agreement, then such terms shall be deemed incorporated herein, but only if necessary to prevent the invalidity of this Agreement or any of the provisions hereof or the imposition of civil or criminal penalties or liability If permitted by the laws of the state whose laws govern this Agreement, You hereby waive any provisions of law or regulations which render any portion of this Agreement invalid or unenforceable in any respect If any provisions of this Agreement are, or shall come in conflict with any applicable law, then the applicable law shall govern and such provisions shall be automatically deleted and shall not be effective if they are not in accordance with applicable law and the remaining terms and conditions of this Agreement shall remain in full force and effect All words in this Agreement shall be deemed to include any number or gender as the context or sense of this Agreement requires

Article 16 is hereby amended in part to provide Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of Illinois law is void This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Illinois Franchise Disclosure Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code

Section 4 1 is hereby amended in part to provide All development fees owed to Franchisor shall be deferred until the first franchise is opened and the Franchisor has provided its initial obligations to Area Developer and Area Developer has commenced doing business pursuant to the Franchise Agreement

IN WITNESS WHEREOF, the Franchisor and Area Developer have respectively signed and sealed this Franchise Agreement as of the ____ day of _____, 20___

FRANCHISOR
BAD ASS COFFEE COMPANY OF HAWAII, INC

AREA DEVELOPER

By _____
Its President

By _____
Its

EXHIBIT "I"
TO THE FRANCHISE DISCLOSURE DOCUMENT

DEPOSIT AGREEMENT

BAD ASS COFFEE OF HAWAII®
PROSPECTIVE FRANCHISE DEPOSIT AGREEMENT

This DEPOSIT AGREEMENT ("Agreement') is made and entered into on _____, 20___, by and between **BAD ASS COFFEE COMPANY OF HAWAII, INC** (hereinafter referred to as "Franchisor" and at times as "We", "Us" or "Our") and _____ (hereinafter referred to as "You" or "Your" and at times "Prospective Franchisee") individually referred herein as a "Party" and collectively as "Parties "

RECITALS

A You have applied for and desire to acquire an option to purchase a Bad Ass Coffee of Hawaii® franchise to use Our trademarks, System and to operate a Bad Ass Coffee of Hawaii® Business at a location hereinafter set forth in accordance with the recitals, terms and conditions of Our current Bad Ass Coffee of Hawaii® Franchise Agreement, a copy of which was given You with the Franchise Disclosure Document more than 14 days ago and is fully incorporated herein by reference, and this Agreement

B You declare that You have fully reviewed the Franchise Disclosure Document and familiarized Yourself with the essential aspects and purposes of the Bad Ass Coffee of Hawaii® Franchise and System developed and owned by Us and desire to enter into this Agreement as a result of such independent investigation and not as a result of any separate representations by Us, or Our agents officers or employees, and further You expressly acknowledge that no separate representations, promises or warranties of any kind, express or implied, have been made by Us, Our agents, officers or employees, to induce You to execute this Agreement

C All capitalized terms used, but not defined, herein will have the respective meanings assigned to them pursuant to the Franchise Agreement, and all references herein to "Article" and "Paragraphs" will refer to articles and paragraphs of the Franchise Agreement

NOW THEREFORE, in consideration of the mutual and reciprocal covenants, promises, recitals, terms and conditions herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each Party, the Parties hereby agree as follows

1 **Grant of Option** We hereby grant to You an option ("Option") to acquire a Bad Ass Coffee of Hawaii® Franchise under the terms and conditions of the Franchise Agreement and in accordance with this Option Agreement within the area set forth on Exhibit "A" attached hereto and by reference made a part hereof The final boundaries of Your franchise territory will be determined upon exercise of your Option and set forth in Your Franchise Agreement The Option granted herein will expire at 5 00 P M , Mountain Time, twenty (20) days from the date hereof unless extended by mutual written consent of the Parties ("Option Period")

2 **Deposit** Upon execution of this Agreement, You will pay to Us a non-refundable deposit in the amount of _____ Dollars ($_____) If You exercise Your

Option, this sum will be credited against the initial franchise fee set forth in the Franchise Agreement

3 **Exercise** This Option is exercisable by You as follows 1) Your written notice to Us of your exercise of the Option, 2) Your execution of the Franchise Agreement, and 3) Payment by You of the full Franchise Fee, all within the Option Period **Time is of the essence for this Agreement**

4 **Release** In the event You fail to timely exercise the Option granted herein, the Parties agree upon expiration of the Option Period to enter into a mutual release, fully releasing and discharging the other from any and all liabilities, claims, damages or losses arising out of or in connection with this Agreement or the Bad Ass Coffee of Hawaii® Franchise

5 **Arbitration of Disputes** In the event any controversy or dispute will arise between the Parties hereto in connection with, arising from or with respect to the provisions hereof, the relationship of the Parties hereto, or the validity of this Agreement or any provision hereof, such dispute or controversy will, on the request of any Party hereto be submitted for arbitration to the American Arbitration Association in accordance with its commercial arbitration rules All arbitration hearings will be conducted in Salt Lake City, Utah, and the laws of the State of Utah will govern without giving effect to its conflicts of law provisions The arbitrator will have the power and jurisdiction to decide such controversy or dispute solely in accordance with the express provisions of this Agreement The prevailing Party in any arbitration suit or action to enforce this Agreement, will be entitled to recover the administrative costs of the arbitration proceeding and the fee for the arbitrator The Parties agree that any claim hereunder will result in an award not more than 120 days from the date of the statement of claim filed with the American Arbitration Association The award and findings of the arbitrators will be conclusive and binding upon all Parties hereto and the judgment upon the award may be entered in any Court of competent jurisdiction

6 **Notices** All notices permitted or required under this Agreement will be in writing and will be delivered as follows with notice deemed given as indicated (i) by personal delivery when delivered personally, (ii) by overnight courier upon written verification of receipt, (iii) by telecopy, email or facsimile transmission when confirmed by telecopier, email or facsimile transmission, or (iv) by certified or registered mail, return receipt requested, five (5) days after deposit in the mail addressed as follows

Franchisor

BAD ASS COFFEE COMPANY OF HAWAII, INC
155 West Malvern Avenue
Salt Lake City, Utah 84115
Email _____

Prospective Franchisee

_____
_____
_____
Email _____

7 **Binding Effect** This Agreement and all its terms, conditions and stipulations will be binding upon and will inure to the benefit of the Parties hereto and their respective legal representatives, heirs, successors and permitted assigns

8 **Amendment** This Agreement may be amended, modified or changed only by a written instrument signed by duly authorized representatives of both Parties

9 **Authority** The persons signing below warrant that they are authorized to enter into this Agreement on behalf of their respective principals identified below and that by their signatures they bind such principals to this Agreement

10 **Costs & Expenses** Each Party will pay its own costs and expenses in connection with this Agreement

11 **Entire Agreement** This Agreement and Exhibits contain the entire agreement and only understanding between the Parties with respect to the subject matter hereof and supersedes all previous negotiations, agreements and understandings between the Parties and affiliates of the Parties, in connection with the subject matter covered herein, whether oral or written, and any warranty, representation, promise or condition in connection therewith not incorporated herein will not be binding upon either Party The Parties hereby agree that all prior agreements between the Parties are hereby terminated with no continuing duties or obligations on the part of the other Party

12 **Governing Law and Jurisdiction** The validity, enforcement, construction, rights and liabilities of the Parties and provisions of this Agreement will be governed by and interpreted in accordance with the laws of the State of Utah If for any reason court action is filed, You irrevocably consent to the jurisdiction of the courts of record in the State of Utah and agree that proper jurisdiction and venue will be in the state and federal courts of Salt Lake County, Utah

13 **Interpretation of Agreement** Words in the masculine gender include the feminine and neuter Use of the singular will include the appropriate plural numbers The paragraph headings and title of this Agreement are not part of this Agreement, having been inserted for convenience of reference only, and will have no effect upon the construction or interpretation of this Agreement

[Signatures on Next Page]

IN WITNESS WHEREOF, the Franchisor and Prospective Franchisee have respectively signed this Deposit Agreement as of the day and year first above written

FRANCHISOR	PROSPECTIVE FRANCHISEE
BAD ASS COFFEE COMPANY OF HAWAII, INC	_____, LLC/Inc
By _____ Its President	Signature _____ Title _____ Print Name _____
	_____ Witness

EXHIBIT "A"

Prospective Franchise Deposit Agreement

OPTION BOUNDARIES

Your franchise will be located within the following area upon signing the franchise agreement

in _____City, _____ County, State of _____

FRANCHISOR

BAD ASS COFFEE COMPANY OF HAWAII, INC

By _____
Its President

PROSPECTIVE FRANCHISEE

_____, LLC/Inc

Signature _____

Title _____

Print Name _____

_____
Witness

EXHIBIT "B"

Prospective Franchise Deposit Agreement

FOR THE STATE OF MARYLAND

The Deposit Agreement is hereby amended in part to provide as follows

All deposit fees will be held in escrow at Eagle Bancorp, Inc in Maryland pending the lapse of the Option Period provided in Section 1 If you do not exercise Your Option, then this amount will become immediately due and payable to Us and you authorize the escrow company to pay this amount to us immediately upon lapse of the Option Period If you do exercise your option, than the deposit fees will be combined with the other initial fees and payments due to Bad Ass Coffee Company of Hawaii, Inc prior to your franchise opening and will be held in an escrow account with Eagle Bancorp, Inc in Maryland pending satisfaction of our material pre-opening obligations to you

EXHIBIT "J"
TO THE FRANCHISE DISCLOSURE DOCUMENT

RELEASE AGREEMENT

BAD ASS COFFEE OF HAWAII®
RELEASE AGREEMENT

THIS RELEASE AGREEMENT ("Agreement") by and between **BAD ASS COFFEE COMPANY OF HAWAII, INC , a Utah limited liability company** (herein "Franchisor") and _____ ("Franchisee") and _____ (jointly and severally herein "Personal Guarantors") The above will collectively at times be referred to as "Parties" and individually as "Party " Capitalized terms used herein will have the meanings set forth in the Franchise Agreement, unless defined otherwise herein

RECITALS

WHEREAS, Franchisee entered into a Bad Ass Coffee of Hawaii® franchise agreement dated effective as of _____, 20___ with Franchisor (the "Franchise Agreement') which was personally guaranteed by the Personal Guarantors, and

WHEREAS, the Franchise Agreement has been terminated as of the ____ day of _____, 20___

NOW THEREFORE, For good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, Franchisor, Franchisee, and Personal Guarantors hereby agree as follows

1 Franchisee and Personal Guarantors hereby, fully and irrevocably, release, acquit and forever discharge Franchisor and its successors, affiliates, directors, officers, members, managers, employees, shareholders, representatives and agents and each of them, individually and collectively, of and from any and all claims, demands, obligations, causes of action, suits or liabilities of any kind and nature, whatsoever, whether known or unknown, suspected or unsuspected, and in whatever legal theory or form which Franchisee and Personal Guarantors have or claim to have, or at any time heretofore, had or claimed to have had, or which may hereafter accrue or arise, against Franchisor, its successors, affiliates, directors, officers, members, managers, shareholders, employees and agents, and each of them, by reason of, or in any way connected with the Franchise Agreement, the relationship described therein and any business transaction, agreement or occurrence, act or omission relating thereto prior to the date hereof Franchisee and Personal Guarantors further waive any and all state law provisions limiting the effect of a general release

2 Franchisee and Personal Guarantor(s) hereby covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim against any person or entity released under Section 1 above with respect to any claim released under Section 1

These releases are intended to waive, release and discharge all claims, other than those expressly reserved herein, with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases In particular, the parties waive

the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR

The parties, with the advice of their respective counsel, waive the benefit of both statute and other legal doctrine or principle of similar effect in any jurisdiction

3 This Agreement may be pleaded as a full and complete defense to, and may be used as the basis for, an injunction against any action, suit or other proceeding which may be instituted, prosecuted or maintained in breach of this Agreement

4 Nothing in this Agreement releases Personal Guarantor(s) or Franchisee from their obligations under the non-competition, confidentiality, and non-disclosure clauses of the Franchise Agreement or their non-competition, confidentiality, and non-disclosure agreements personally signed with Franchisor

5 Miscellaneous

5 1 Cooperation Franchisee and Personal Guarantors will make, execute and deliver to Franchisor, promptly upon request and without additional consideration, any document or instrument necessary to carry out and effectuate the purposes of this Agreement

5 2 Choice of Law and Jurisdiction This Agreement will be construed in accordance with and all disputes hereunder will be governed by the laws of the State of Utah without giving effect to its conflicts of law provisions Franchisee, Personal Guarantor(s), and Franchisor hereby irrevocably consent to the exercise of general personal jurisdiction in the courts of record of the State of Utah even though it may be otherwise possible to obtain jurisdiction elsewhere, and we both agree that Salt Lake City, Utah will be the exclusive venue for any litigation between us Each party waives any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Utah

5 3 Arbitration In the event any controversy or dispute arises between the Parties hereto in connection with, arising from or with respect to the provisions hereof, the relationship of the Parties hereto, or the validity of this Agreement or any provision hereof, such dispute or controversy will, on the request of any Party hereto be submitted for arbitration to the American Arbitration Association in accordance with its commercial arbitration rules All arbitration hearings will be conducted exclusively in Salt Lake City, Utah, and the laws of the State of Utah will govern without giving effect to its conflicts of law provisions The arbitrator will have the power and jurisdiction to decide such controversy or dispute solely in accordance with the express provisions of this Agreement The prevailing Party in any arbitration suit or action to enforce this Agreement, will be entitled to recover the administrative costs of the arbitration proceeding and the fee for the arbitrator The Parties agree that any claim hereunder will result in

an award not more than 120 days from the date of the statement of claim filed with the American Arbitration Association, unless otherwise waived by the Parties The award and findings of the arbitrators will be conclusive and binding upon all Parties hereto and the judgment upon the award may be entered in any Court of competent jurisdiction

5 4 Attorneys' Fees and Costs In the event any action in law or equity or any arbitration or other proceeding is brought for the enforcement of this Agreement or in connection with any of the provisions of this Agreement, the successful or prevailing party or parties will be entitled to reasonable attorney's fees and other costs reasonably incurred in such action or proceeding

5 5 Amendment This Agreement may be amended, modified or changed only by a written instrument signed by duly authorized representatives of both Parties

5 6 Company Authority The persons signing below warrant that they are authorized to enter into this Agreement on behalf of their respective principals identified below and that by their signatures they bind such principals to this Agreement

5 7 Binding Agreement This Agreement and all its terms, conditions and stipulations will be binding upon and will inure to the benefit of the Parties hereto and their respective legal representatives, heirs, successors and permitted assigns

5 8 Confidentiality Franchisee and Personal Guarantors agree to maintain this Agreement, the terms hereof, and any and all information obtained or provided by either Party in order to initiate a contractual relationship, in the strictest of confidence

5 9 Counterparts This Agreement, and those contemplated herein, may be executed in counterparts, including by means of telefaxed, emailed pdf, or other electronically delivered signature page, each of which will be deemed an original, but all of which together will constitute one and the same document

5 9 Entire Agreement This Agreement contains the entire agreement and only understanding between the Parties with respect to the subject matter hereof and supersedes all previous negotiations, agreements and understandings between the Parties and affiliates of the Parties, in connection with the subject matter covered herein, whether oral or written, and any warranty, representation, promise or condition in connection therewith not incorporated herein will not be binding upon either Party The Parties hereby agree that all prior agreements between the Parties regarding the subject matter hereof are hereby terminated with no continuing duties or obligations on the part of the other Party

5 10 Headings and Gender Words in the masculine gender include the feminine and neuter Use of the singular includes the appropriate plural numbers The paragraph headings and title of this Agreement are not part of this Agreement, having been inserted for convenience of reference only, and will have no effect upon the construction or interpretation of this Agreement

5 11 Enforceability Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, not be effective to the extent of such prohibition, but such prohibition will not invalidate the remaining provisions hereof or affect the validity or enforceability of such provisions in any other jurisdiction

6 This Agreement will be effective when signed by all of the Parties in the appropriate places indicated below

7 The Franchisee and Personal Guarantors acknowledge that they have carefully read the foregoing Agreement and know and understand the contents of this Agreement, have been represented by counsel or had the opportunity to be represented by counsel, and sign this Agreement as their own free act, fully intending to be legally bound thereby

IN WITNESS WHEREOF, and by their signatures below, the Parties hereto acknowledge that they have read, understand and agree to all of the terms and provisions of this Agreement This Agreement will be effective when signed by all of the Parties in the appropriate places indicated below

FRANCHISOR	FRANCHISEE
BAD ASS COFFEE COMPANY OF HAWAII, INC	_____, LLC/INC
By _____ (Signature)	By _____ (Signature)
Name _____	Name _____
Title _____	Title _____

PERSONAL GUARANTORS

By _____ (print name)_____, personally	By _____ (print name)_____, personally
Date _____	Date _____
By _____ (print name)_____, personally	By _____ (print name) _____, personally
Date _____	Date _____

RECEIPT

(Franchisee's Copy)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language Read this disclosure document and all agreements carefully

If Bad Ass Coffee Company of Hawaii, Inc offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship Michigan and Oregon require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first

If Bad Ass Coffee Company of Hawaii, Inc does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D C 20580 and the state administrator listed in Exhibit "F"

The franchisor is Bad Ass Coffee Company of Hawaii, Inc , located at 155 West Malvern Avenue, Salt Lake City, Utah 84115 Its telephone number is 801-463-1966

The names, business addresses, and phone numbers of each franchise seller offering this franchise is Dan Ronnow, 155 West Malvern Ave , Salt Lake City, UT 84115, (801) 463-1966

The issuance date of this disclosure document is April 5, 2017

Bad Ass Coffee Company of Hawaii, Inc authorizes the respective state agencies identified on Exhibit "E" to receive service of process for it in the particular state

I received a disclosure document dated April 5, 2017 that included the following Exhibits

State Addenda

	California	Schedule 1
	Hawaii	Schedule 2
	Virginia	Schedule 3
A	Franchise Agreement and its Exhibits	
B	Confidential Information Application	
C	Financial Statements	
D	Schedule of Franchisees and Former Franchisees	
E	List of Agents for Service of Process	
F	List of State Agencies Responsible for Franchise Disclosure/Registration Laws	
G	Table of Contents for Operations Manual	
H	Area Developer Agreement	
I	Deposit Agreement	
J	Release Agreement	
	Receipts	

Date _____
(Do not leave blank)

_____
Signature of Prospective Franchisee

_____
Print Name

Two copies of this receipt have been placed at the end of the disclosure document Please sign and date the receipt and return one copy to Bad Ass Coffee Company of Hawaii, Inc and keep the other for your records You may return the signed receipt either by mailing it to Bad Ass Coffee Company of Hawaii, Inc at 155 West Malvern Avenue, Salt Lake City, Utah 84115, or by faxing a copy to (801) 463-2606

RECEIPT

(Franchisor's Copy)

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Print Name

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