BAD ASS COFFEE COMPANY OF HAWAII, INC.

FRANCHISE DISCLOSURE DOCUMENT

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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
info@badasscoffee.com

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

The total investment necessary to begin operation of a standard Bad Ass Coffee of Hawaii® franchise is between $242,500-$429,000. This includes the $127,500 to $150,000 that must be paid to the franchisor or affiliate.

The total investment necessary to begin operation of a standalone drive-through Bad Ass Coffee of Hawaii® franchise is between $145,000 to $223,500. This includes the $95,000 to $133,000 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 $177,500 to $228,500. This includes the $87,500 to $118,000 that must be paid to the franchisor or affiliate.

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.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Connie Alexakos at (801) 463-1966 and info@badasscoffee.com.

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 your 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 8, 2019

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 THAT YOU MUST 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 may, at our option, utilize 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. When used, we pay brokers 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	pending	New York	
Hawaii		North Dakota	
Illinois		Rhode Island	
Indiana		South Dakota	
Maryland		Virginia	July 2, 2018
Michigan		Washington	
Minnesota		Wisconsin	

Connecticut		Maine	October 13, 1998
Florida	October 23, 2018	Nebraska	
Georgia	October 13, 1998	North Carolina	October 13, 1998
Kentucky		South Carolina	October 13, 1998
Texas	April 2, 2002	Utah	March 6, 2019

TABLE OF CONTENTS

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. dba Bad Ass Coffee of Hawaii. In this disclosure document, BAD ASS COFFEE OF HAWAII is referred to as "we" "our" or "us" or "BACH." "You" or "your" means the person who buys the franchise and includes the current and future 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 company was incorporated on November 7, 1997 in the State of Utah under the name Bad Ass Coffee Company of Hawaii, Inc. Our principal place of business is 155 West Malvern Avenue, Salt Lake City, Utah 84115. Our website is www.badasscoffee.com. Our fiscal year ends December 31st.

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

Franchisor Business Activities

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 currently operate a business of the type you will operate; however, we have temporarily operated certain franchisee locations until they were transferred. We began licensing others the right to operate Bad Ass Coffee of Hawaii® stores in February 1998.

Parents, Predecessors, and Affiliates

Our affiliate, Bad Ass Coffee Distributors, Inc. ("BACD"), was incorporated in Utah on December 23, 1997. Its principal place of business is 155 West Malvern Avenue, Salt Lake City, Utah 84115. BACD and other designated suppliers will supply you with our trademarked products and other items. BACD does not and has not offered for sale or sold franchises in this or any other line of business.

We have no other parent, predecessors, or affiliates required to be disclosed in this item.

Franchise Offered

We license and train others to operate Bad Ass Coffee of Hawaii® franchises. Currently, there are 3 types of Bad Ass Coffee of Hawaii® franchises: a standard Bad Ass Coffee of Hawaii® store franchise, a smaller Bad Ass Coffee of Hawaii® standalone drive-through franchise, and a mobile/food truck franchise. The franchise agreements for the different types of franchises are the same except for certain initial fees (see Item 5) and an addendum for the mobile/food truck franchise.

As a Bad Ass Coffee of Hawaii® business, you will offer a retail coffee shop business. The grant of a franchise authorizes you to engage in our complete system under the name Bad Ass Coffee of Hawaii® and other proprietary marks. Our system includes, among other things, confidential manuals, standards, merchandising, marketing, store layout, décor, recipes, menus, the sale of products and services and other confidential business information, procedures, specifications and services as we may develop.

You will be required to purchase specific coffee products and food items, materials, merchandise, supplies, and equipment from our affiliate, BACD, or other designated suppliers and to strictly follow our standards, methods, policies, and procedures in the operation of your franchise business, which are more particularly described in our franchise agreement attached as Exhibit "A" to this disclosure document.

Unless otherwise noted, the terms of all franchise offerings are the same.

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. You may also encounter competition from other Bad Ass Coffee of Hawaii® franchises operated by us or other franchisees outside your territory.

Laws and Regulations

You are required to follow all laws and regulations which apply to business generally. In addition to laws and regulations that apply to businesses generally, your business is subject to federal, state, and local health and consumer protection laws and other regulations and guidelines governing the food service industry, including 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. The Food and Drug Administration, the United States Department of Agriculture and food industry organizations, including the National Restaurants Association, have established rules affecting this industry. You may be required to obtain a food handler's permit (Serve Safe),

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. State or federal entities may require you to have a permit as a water provider.

At your cost and expense, you must investigate and ensure that you comply with all payment card industry ("PCI") and data security standard ("DSS") standards, regulations, and requirements; however, we reserve the right to approve of the vendor you use for compliance. You must meet the requirements of, and comply with enhancements and changes to, the PCI and DSS and maintain PCI compliance with the current version of the PCI and DSS. We reserve the right to require an audit (and to designate the auditor) to verify compliance. You must reimburse us for the audit if you are not in compliance. You are responsible to use all required tools, systems, and vendors to complete ongoing PCI requirements including quarterly external security scans and annual self-assessment questionnaires. You are solely responsible for all costs relating to PCI compliance and data security issues, such as security threats, breaches, and malware. It is your responsibility to alert us, not later than 24-hours following a suspected or confirmed data security breach, so that appropriate action can be taken to protect customer data and notify relevant parties. You are not permitted to collect, store, transfer, etc., any unnecessary customer information.

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

MICHAEL BILANZICH, President

Mr. Bilanzich was appointed our President in January 2018, but he has been a director since the company's inception. Since 1984, Michael has also been the president of MTB Enterprises, Inc., a real estate company in Salt Lake City, Utah.

SCOTT SNYDER, CEO

Mr. Snyder has been our CEO since June 2018. Since 2011, Mr. Snyder has also been the CEO of Layline Marketing LLC, a marketing and consulting business in Highlands Ranch, Colorado. From 2015 to 2018, Mr. Snyder was the COO for DNA Worldwide, a business consulting company in Evergreen, Colorado. And from 2013 to 2015, Mr. Snyder was the Senior VP of Marketing for Intellisource, a strategic outsourcing management company in Denver, Colorado.

CONNIE ALEXAKOS, Vice President

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

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 of Hawaii made to the plaintiff pursuant to a mutual termination of the plaintiff's area development agreement. Bad Ass Coffee of Hawaii filed a Motion to Stay and Compel Arbitration which was denied. Bad Ass Coffee of Hawaii 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). BACH brought a declaratory action to have a license agreement declared judicially unenforceable that purported to grant the Defendant's worldwide rights to all of BACH's franchises and related franchise rights except in the United States, Malaysia, and Japan. The trial court held that the license agreement is enforceable and binding on the parties. The Defendant counterclaimed against BACH alleging breach of contract by repudiation of the agreement and asserted damages in excess of $2.4 million. A jury returned a verdict of $100,000 against BACH. The Defendant has also filed to recover attorney's fees in the amount of $230,404.41. The motion for fees is pending and has not been ruled upon. The decision has been appealed by BACH to the Utah Court of Appeals. No dates for oral arguments before the Utah Court of Appeals have been yet set.

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

The initial franchise fee for our standard franchise is $35,000 and is 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 $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 $60,000 - $65,000 for our standard equipment package. Standard franchisees must also purchase an interior décor package, from us or our affiliate for $20,000 - $25,000. Each franchise must pay approximately $7,500 - $15,000 to us, an affiliate or an approved supplier for an external & interior signage. These costs and fees will be incurred before opening the store and are uniform for all franchisees as described above.

The initial franchise fee for a standalone drive-through franchise or mobile/food truck franchise is $35,000 and is 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 standalone drive-through store or your mobile/food truck, as well as estimated initial business volume. Each standalone drive-through or mobile/food truck franchisee pays approximately $35,000 - $50,000 for our equipment package. Standalone drive-through franchisees and mobile/food truck franchisees will also pay an estimated $15,000 - $30,000 for exterior graphic design application. Standalone drive-through franchisees must also pay an estimated $7,500 - $15,000 for exterior signage subject to the signage restrictions of the location. These costs and fees will be incurred in the weeks leading up to opening the store and are uniform for all franchisees as described above.

During the term of the franchise agreement, you may purchase additional franchises at a discounted rate of $25,000 per location. This option will only be available to you if there are franchise territories available, you meet our then-current criteria for new franchisees, you are current and not in default of the franchise agreement, and, in our sole discretion, we determine to sell you another franchise. You will be required to sign our then-current franchise agreement, which may have different material terms.

There is no training fee for up to 3 management and/or executive level persons; however, You must bear the cost of all travel, lodging, meals and all other living costs and expenses and salaries for all of Your attendees at the training session. Additional trainees may attend the initial training for a fee of $500 per attendee per day.

In addition, you may sign a deposit agreement (Exhibit "I") to reserve a territory for up to 20 days. The non-refundable deposit fee is $1,000 and is applied to your initial franchise fee if you purchase a franchise.

We have a discount program for veterans, who were honorably discharged. If you qualify, the initial franchise fee of $35,000 for your first franchise will be reduced to $20,000. This does not apply to any other fees.

Unless otherwise described 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[1,3]	6% of gross sales	Payable on the 1st and 16th day each month	Gross sales include all revenue from the franchise location but exclude sales tax or bona fide credits. We reserve the right to require royalties to be paid in accordance with our electronic funds transfer or automatic withdrawal program as developed.
Advertising Fee[1,2]	2% of gross sales payable to us	Payable on the 1st and 16th day each month	See Note 3.
Additional In-Person Training or Assistance[1]	$500 per day, per person	In advance of training or assistance	You must pay the travel, lodging, food, and other expenses of your attendees of our representatives during this additional training or assistance. This includes training for any new operating principal or manager.
Transfer Fee[1]	$2,500	At time of approved transfer	Payable when you sell your franchise and prior to our signing any approval or new agreement. You only need to reimburse our legal fees if you transfer less than 40% and your current owners maintain control. However, all guarantors will remain guarantors unless otherwise released by us.
Late Charges[1]	$25 per day, per late fee	Payable with royalty or on demand	Charges and interest accrue after the due date of any required payment or report. You will be charged $25 per day for each late fee or late report (up to $250 per late fee), plus 18% interest (or the maximum rate permitted by state law). You will also be charged $40 for any bounced checks or drafts.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Successor Franchise Fee[1]	$2,500	Prior to your entering into a successor franchise agreement	A successor franchise agreement is available to you only if you meet each of the requirements described in the franchise agreement at the time your election to enter into a successor agreement must be made.
Fees on Default and Indemnity[1]	Attorney's fees, costs, interest and audit costs	On demand, as incurred	Paid in addition to other payments to us.
Audit Charge[1]	Cost of audit	On billing	Chargeable if we discover an understatement of 2% or more of gross sales or records are unavailable.
Interim Management Fee[1]	$500 per day, per representative	Time of service	Payable if we elect to operate your business during your unapproved closing, unapproved absence, incapacity or death, or if you are not in compliance, or as otherwise allowed under the franchise agreement to prevent harmful interruption of business. You must also pay the food, travel, lodging, and other expenses for our representatives which may be incurred by us to perform such services, plus royalties, marketing fees and other applicable fees.
Supplier Evaluation Fee[1]	$500 plus reasonable expenses, at cost	The $500 is due in advance of testing or review analysis, and the reimbursement for expenses is due on demand.	Payable if you want to have unapproved suppliers evaluated for our approval (see Item 8).
Website Development Fee[1]	$1,800 - $2,500	Upon billing	If you are allowed to operate an individual website, it must be designed by our designated designer for all content and it must be linked to our website. We will obtain your URL, and you will be required to pay the cost.
Website Maintenance[1]	Currently $30 monthly	Upon billing	Payable in connection with our maintenance of the website and emails. This fee will be updated periodically in our manuals.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Transfer Training Fee[1]	$5,000	At time of approved transfer	Payable when you sell your franchise. You or the transferee must also cover the cost of travel, food, and lodging for our representatives during this training.
Indemnification	Varies	As incurred or on demand	You must indemnify us from and against any and all claims or damages regarding the conduct and operation of your franchise business.
Post-Termination Liquidated Damages	Average royalty from the previous 12 months multiplied by the lesser of 30 months or the remaining term of your franchise agreement, whichever is less	Upon termination	Payable if your franchise agreement is terminated prior to the expiration of the term. This is only to compensate for lost royalties and is not our only remedy.

NOTES

[1] Royalties and Fees. Except as shown in the remarks column, all fees are imposed and payable to us and are non-refundable. You should verify with any third-party payee whether such payments, deposits, or fees are refundable or not. 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, draft or other similar type of electronic funds transfer ("EFT") account in which you must deposit the gross sales of your outlet (not including local sales & use taxes) which account we may automatically access for any payment due us. You cannot close or terminate any EFT account without receiving our prior written consent. Payments to us may also be made by credit card or e-check. If you fail to timely report gross sales, we may sweep an estimated amount of royalties and marketing fees and other fees due to us. You will be responsible to pay us any amount owing if we underestimate your payment to us, and we will credit you with any overage that we charge.

[2] Marketing Fees. The marketing fees may be used by us for national brand development/marketing, franchise marketing, regional/local as we choose. In addition, you must spend at least an additional 1% of gross sales per month to advertise your franchise business locally. You must submit an itemized report to us documenting proof of expenditures for local marketing in a form we may require.

[3] Reports. You must submit the following reports by the following due dates.

TYPE OF REPORT	DUE DATE	REMARKS
Gross sales report	On the 1st and 16th of every month	This report must include all revenue derived from your franchise business during the prior sales period. We can request that these reports be submitted more frequently or at different times.
Cost of goods sold and labor metrics report	5th day of the month	To contain information for the prior month
Financial statements	Quarterly, within 15 days of the end of the quarter. 15th of the following year	This includes your P&L and balance sheet. The financial statements and accompanying documents do not need to be prepared by your accountant or audited unless specifically requested by us.
Quarterly and annual state and federal tax returns	Within 15 days of submission to the taxing authority	If requested by us

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, lodging, food and other expenses while training	$3,000 - $5,000 - (Up to 3 people) (Note 2)	As incurred	During training	Airlines, hotels & restaurants
3	Real estate & improvements	$100,000 - $250,000 (Note 3)	As incurred	As negotiated	BACH or affiliate and suppliers
4	Equipment, furniture, fixtures, décor, and supplies	$60,000 - $65,000 (Note 4)	As incurred or leased	Before opening if paid to us or an affiliate or as negotiated	BACD and suppliers
5	Signs	$7,500 - $15,000 (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.

	Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
7	Opening inventory	$5,000 - $10,000 (Note 7)	As incurred	As negotiated	BACH or affiliate and suppliers
8	Initial advertising expenses – 3 months	$5,000 - $10,000 (Note 8)	As incurred	As negotiated	BACH affiliates or suppliers
9	Initial operations capital – 3 months	$25,000 -$35,000 (Note 9)	As incurred	As incurred	Suppliers, accountants, employees, etc.
10	TOTAL*	$242,500 - $429,000 (Note 10)	*excluding the lease or purchase of real property and royalty and marketing fees		

NOTES

[1] Initial Franchise Fee. The initial franchise fee is non-refundable, and we do not finance any portion of this fee.

[2] Travel & Living Expenses While Training. You are responsible to pay all travel, lodging, food, and other expenses for yourself and your employees during training, directly to the supplier (hotels, airlines, restaurants, rental car companies, etc.). We estimate that you will have 3 people attend training. These costs will vary widely as a function of the distance traveled and the choice of accommodations, meals and transportation.

[3] Real Estate & Improvements. 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, which has not been included as part of these estimates. 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 1,600 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: décor, 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 and décor package from us which includes: 1) consultation and or review of floor plan; 2) drafting a documented design for the interior of the store; 3) creating an outline to the architect for any ancillary electrical or plumbing that derives through the design process; 4) ordering and shipping materials and elements required for design completion; and 5) serving as a project manager for the coordination and construction of the interior design to completion. The cost of the interior package includes the following expenses: design elements (palm trees, artwork, merchandising materials, menu boards, interior signage, branded tables, chairs, surfboards, etc.), labor, housing, and travel. The costs of these services are for our standard 1,600 square foot space is generally around $20,000 to $25,000 and may be adjusted for shipping costs. For stores with more or less space, this price may be higher or lower. The fee is payable 50% upon execution of the lease and 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 or floor material; 3) sound system; 4) electrical contracting; 5) plumbing contracting, light fixtures, paint and corrugated metals; 6) permanent construction contractor cost; or 7) disposal of trash or any construction debris.

[4] Equipment. Included in this estimate is the cost of a Rancilio™ espresso machine and grinder, a refrigerator, freezer, blender, icemaker, water filter, Curtis™ brewers, Bunn™ bulk grinder, Curtis™ Air Pots, Taylor™ Granita machine, Square™ POS System & cash drawer(s), MerryChef™ oven, refrigerator display (Grab & Go), small wares, etc. (See Item 5). All purchase agreements or leases must be negotiated with approved suppliers. For any items purchased from us or our affiliate, we require immediate payment and it is non-refundable.

[5] Signs. At least 2 signs are required: 1 exterior sign displaying Bad Ass Coffee of Hawaii® trademark and 1 interior sign. These signs may be made locally. All signs must conform to our specifications and approved by us prior to fabrication. All purchase agreements or leases must be negotiated with suppliers. You must use the location's monument/pole sign if available.

[6] Miscellaneous Costs. These miscellaneous costs include legal fees, utility costs, business entity organization expenses, employee training, deposits, insurance, and licenses. For insurance, you must purchase and maintain those insurances set forth in Section 6.1.10 of the franchise agreement and as otherwise set forth in our manuals. You must also maintain and keep in force all worker's compensation and employment insurance on your employees that is required under all federal and state laws. We strongly recommend that you hire a lawyer, accountant, or other professional to advise you on this franchise offering. Rates for professionals can vary significantly based on locale, area of expertise and experience.

[7] Opening Inventory. Opening inventory items include 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 of your franchise business, as well as estimated initial business volume.

[8] Advertising. This estimates the costs of pre-store opening marketing infrastructure as well as the expense involved for a grand opening promotion and associated marketing. We have standard store opening marketing strategy recommendations which are provided to you as part of your initial franchise fee. You must have a website designed by our approved supplier in accordance with our specifications, at an estimated cost of $1,800 - $2,500, with ongoing subscription fees of approximately $30/mo. (See item 11).

[9] Initial Operating Capital. This estimates initial operation expenses that you may incur to operate your franchise in advance of sufficient revenue and cash flow. Operating capital use may include product purchase, salaries/labor, benefits, etc. Employee compensation is between you and your employees and may vary widely. At all times during the term of your franchise agreement, you must maintain adequate working capital in your operating account sufficient to keep your business in operation for at least 2 months,

not including cash flows. We relied on the experience of our principals and franchisees to compile these estimates.

[10] Total. These figures are estimates for the development of one standard franchise unit, and we cannot guarantee that you will not have additional expenses starting your franchise business. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. All purchase agreements or leases must be negotiated with suppliers. For any items purchased from us, we require immediate payment. We do not offer direct or indirect financing for any item. You should verify with any third-party payee whether such payments, deposits, or fees are refundable or not.

YOUR ESTIMATED INITIAL INVESTMENT
STANDALONE DRIVE-THROUGH, MOBILE/FOOD TRUCK 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 and living expenses while training	$3,000 - $5,000 (Up to 3 people) (Note 2)	As incurred	Prior to and during training	Airlines, hotels & restaurants
3	Real estate/site improvements (Standalone Drive-Through Only)	$20,000 - $60,000 (Note 3)	As incurred	As negotiated	Suppliers & contractors
4	Exterior Décor/Wrap	$15,000 - $25,000 (Note 4)	Lump sum	Before opening	BACH, affiliates, suppliers & contractors
4	Food Truck Construction (mobile/food truck unit only)	$60,000 - $80,000 (Note 5)	As incurred	As incurred	Suppliers
5	Equipment, furniture, fixtures, décor, and supplies	$35,000 - $50,000 (Note 6)	As incurred or leased	Before opening if paid to us or an affiliate or as negotiated	BACD and suppliers
6	Signs (Standalone Drive-Through Only)	$5,000 - $7,500 (Note 7)	As incurred or leased	Before opening	Suppliers
7	Misc. opening costs	$2,000 - $3,000 (Note 8)	As incurred	As incurred	Suppliers, utilities, etc.
8	Opening inventory	$2,500 - $3,000 (Note 9)	As incurred	As negotiated	BACH or affiliate and suppliers
9	Initial advertising expense – 3 months	$5,000 - $7,500 (Note 10)	As incurred	As incurred	BACH, affiliates and suppliers

	Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
10	Initial operations capital – 3 months	$20,000 (Note 11)	As incurred	As incurred	Suppliers, accountants, employees, etc.
	TOTAL*	$145,000 - $223,500 (Standalone drive-through) $177,500 - $228,500 (Mobile/food truck unit) (Note 12)	*excluding the lease or purchase of real property, and royalty and marketing fees		

NOTES

[1] Franchise Fee. The initial franchise fee for a drive-through franchise or a mobile/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. Except as noted above, these costs and fees are uniform 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. We estimate that you will have 1-3 people attend training. These costs will vary widely as a function of the distance traveled and the choice of accommodations, lodging, and transportation.

[3] Real Estate (Standalone Drive-Through Only. You must purchase or lease a suitable location for your franchise business, 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, terms of the lease, the total area of your space as well as construction and material costs. 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. In most cases, you will be required to improve the real estate to accommodate the requirements of operating your Bad Ass Coffee of Hawaii® franchise. 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 a standard pre-fab drive-through building structure specification or preferred vendor for purchase, construction, or improvement; however, you must follow our design and décor specifications. Your building improvements may include plumbing, electrical, sheet rock and framing, paint and wall coverings, drop ceiling, HVAC, tile, carpet, décor, exterior tables, chairs, signs, counters, window coverings, etc., all of which must be approved by us.

[4] Exterior Décor/Wrap. We provide an approved exterior design and graphics design for any approved drive-through structure, food truck/mobile unit. You must provide architectural exterior drawings of the structure, truck or unit to us for the purpose of providing that design specification. Food trucks/mobile units will be designed as a vinyl wrap, while stand-alone drive-through structures may be designed as a vinyl wrap, traditional exterior materials/paints, or a combination of both.

[5] Mobile/Food Truck Unit. At your option, you may purchase a pre-fabricated truck, or you may choose to have a truck converted to the requirements of a Bad Ass Coffee of Hawaii® food truck.

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.

[6] Equipment. Included in this estimate is the cost of a Rancilio™ espresso machine and grinder, a refrigerator, freezer, blender, icemaker, water filter, Curtis™ brewers, Bunn™ bulk grinder, Curtis™ Air Pots, Taylor™ Granita machine, Square™ POS System & cash drawer(s), MerryChef™ oven, small wares, etc. (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.

[7] Signs (Standalone Drive-Through Only). At least 1 sign is required: 1 exterior sign displaying Bad Ass Coffee of Hawaii® trademark. These signs may be made locally. All signs must conform to our specifications and be approved by us prior to fabrication. All purchase agreements or leases must be negotiated with suppliers. You must use the location's monument/pole sign if available.

[8] Miscellaneous Costs. These miscellaneous costs include utility costs, business entity organization expenses, deposits, insurance and license. For insurance, you must purchase and maintain those insurances set forth in Section 6.1.10 of the franchise agreement and as otherwise set forth in our manuals. You must also maintain and keep in force all worker's compensation and employment insurance on your employees that is required under all federal and state laws. You must also maintain and keep in force all worker's compensation and employment insurance on your employees that is required under all federal and state laws. If there is more than one individual franchisee, a legal entity must be formed to act as franchisee and each owner must guaranty the franchise agreement. We strongly recommend that you hire a lawyer, accountant, or other professional to advise you on this franchise offering. Rates for professionals can vary significantly based on locale, area of expertise and experience.

[9] Opening Inventory. Opening inventory includes 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 of your franchise business, as well as estimated initial business volume.

[10] Advertising. This range estimates the costs of pre-store opening marketing infrastructure as well as the expense involved for a grand opening promotion and associated marketing. We have standard store opening marketing strategy recommendations which are provided to you as part of your initial franchise fee. You must have a website designed by our approved supplier in accordance with our specifications, at an estimated cost of $1,800 - $2,500, with ongoing subscription fees of approximately $30/mo. (See item 11).

[11] Initial Operations Capital. This estimates initial operation expenses that you may incur to operate your franchise in advance of sufficient revenue and cash flow. Operations capital use may include product purchase, salaries/labor, benefits, etc. Employee compensation is between you and your employees and may vary widely. At all times during the term of your franchise agreement, you must maintain adequate working capital in your operating account sufficient to keep your business in operation for at least 2 months, not including cash flows. We relied on the experience of our principals and franchisees to compile these estimates.

[12] Total. These figures are estimates for the development of 1 standalone drive-through franchise unit, or 1 food truck/mobile franchise, and we cannot guarantee that you will not have additional expenses starting your franchise business. You should review these figures carefully with a business advisor before

making any decision to purchase the franchise. All purchase agreements or leases must be negotiated with suppliers. For any items purchased from us, we require immediate payment. We do not offer direct or indirect financing for any item.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Approved Suppliers, Proprietary Products, and Required Purchases

You must operate your franchise business according to our system, including purchasing or leasing certain items or services according to our specifications, from approved suppliers, which could be us or affiliates. You must not deviate from these methods, standards, and specifications without our prior written consent.

You must purchase the following products and services from us or other sources designated or approved by us, or according to our specifications:

Item or Service	Is the franchisor or an affiliate an approved supplier of this item?	Is the franchisor or an affiliate the only approved supplier of this item?
Coffee Products	Yes	Yes
Tea Products	Yes	Yes
Paper and plastic items (cups, lids, etc.)	Yes	Yes
Food Items	Yes	No
Flavoring and other menu items	Yes	No
Logoed Items	Yes	Yes
Merchandise	Yes	Yes
Menu boards	Yes	Yes
Website design	Yes	Yes
Interior décor package	Yes	Yes
Equipment	Yes	Yes
POS system	Yes	No
Insurance	No	No

We may also require you to purchase advertising materials from us or approved suppliers. We reserve the right for us or an affiliate to be an approved supplier or the only approved suppler of any of the items listed in the above table. Additionally, we reserve the right to require that all items used in the operation of your business be purchased from approved sources.

Insurance

You are required at your own expense to keep in full force, by advanced payment(s), during the entire term of the franchise, those minimum insurance policies as set forth in Section 6.1.10 of the franchise agreement and our manuals. You must also maintain and keep in force all worker's compensation and employment insurance on your employees that is required under all federal and state laws. We may require the liability insurance for your store to be purchased from a designated source.

These policies will insure you, us and our officers, directors and nominees as additional insureds against any liability which may accrue by reason of your ownership, maintenance or operation of the franchise business. 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. Our 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 or fail to maintain the same in full force and effect, we may obtain insurance for you 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 franchise 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.

Approved Suppliers

All approved suppliers and specifications are made available to you before the beginning of operations. We consider our approved suppliers and specifications to be of critical importance to the success of the system.

We may enter into contracts with suppliers for items or services purchased by our franchises. Pursuant to these contracts, you will be required to purchase items or services from the approved 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.

We or our affiliates may derive revenue from the sale of goods and supplies sold directly to you or we may receive a fee or rebate from approved suppliers based off purchases from our franchisees. In the year ending December 31, 2018, our total revenues were $420,000. Of that total, $0 or 0% of our total revenues derived from required purchases of our franchisees. Our affiliate BACD received revenues of $606,106 from the sale of products, supplies, or other items to franchisees. None of our officers or directors has an ownership interest in any of our suppliers.

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 our system, at our discretion, we may approve the supplier to become an approved supplier.

You may establish suppliers on the approved list by making an 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; 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; and the supplier's professional competence and performance abilities. We will use our best judgment in setting and modifying specifications to maintain quality and integrity of the franchise system. 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 of the items listed in this Item 8 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 a supplier meets our specifications. Before beginning our evaluation, you will be required to pay a supplier evaluation fee indicated in Item 6. The evaluation fee and other costs are not refundable regardless of whether or not we approve of a supplier. We will notify you in writing and within 90 days as to whether the supplier has been approved. We may make changes or alterations in the standards and specifications for approving suppliers. At our discretion, we may revoke our approval from an approved supplier upon 30 days' written notice to you.

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.

Other than as stated above, there is no obligation for you, under the terms of the franchise agreement, to purchase or lease any goods or services regarding the establishment or operation of the franchise business from approved 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 DISCLOSUR E DOCUMENT
a.	Site selection and acquisition	Section 4.1 of the franchise agreement	Item 11
b.	Pre-opening purchases/leases	Paragraphs 6.1.3, 6.1.10, and 6.1.12 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 7.4.2 of the franchise agreement	Item 11
f.	Fees	Article V of the franchise agreement	Items 5, 6 and 7
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

	OBLIGATIONS	SECTION IN AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
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
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, 6.1.7 and 6.1.9 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, ADVERTISING, 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 franchise business, we will:

1) Designate your territory [franchise agreement section 1.1].

2) Approve of your site. However, we do not assist in locating a site. That is your responsibility. We must approve your site location before a lease is entered into and you begin construction. Our approval is based upon the following general criteria: competition, access, traffic flow, general population, parking, square feet and general vicinity. We do not prepare demographic studies or otherwise evaluate or guarantee the potential success of your proposed site, but we will provide you with a site evaluation guide and checklist. Site approval should be completed by us within 4 weeks or less after you have selected a prospective site. We do not own properties that we lease to you, and we do not assist you in negotiating the purchase or our lease of your site [franchise agreement section 4.1].

3) Make available general written specifications for those items listed in Item 7. We do not offer assistance in delivery or installation of any of these items [franchise agreement paragraph 7.1.2].

4) Provide you with the names of approved suppliers [franchise agreement paragraph 7.1.2].

5) Provide you preliminary design plans for your franchise business. You must adapt your franchise business to our general specifications at your own expense, in accordance with local, state and federal laws, rules, and ordinances. You are responsible to obtain any required permits. We do not provide assistance in the construction, remodeling, or decorating of your franchise business [franchise agreement paragraph 7.1.1].

6) Loan you a copy or provide electronic access to our confidential manuals containing mandatory policies, operating procedures, and other information. The manuals are confidential, will remain our property, and may be used by you only in association with Bad Ass Coffee of Hawaii® franchise business and only during the term of the franchise agreement. You must keep the contents of the manual confidential. The table of contents of the manual are included as Exhibit "G" to this disclosure document. Our operations manual is approximately 294 pages [franchise agreement article IX].

Site Selection

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, at our discretion. Failure to reach an agreed upon site, after having exhausted all reasonable efforts, will result in a termination of the franchise agreement. We must approve of your lease, and you are required to have the landlord consent to an assignment of the lease before the lease agreement is signed.

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 6 months. Factors affecting this length of time usually include obtaining a satisfactory site, financing arrangements, construction, local ordinance compliance, permitting and delivery and installation of furniture, fixtures, equipment, signs, and inventory items.

You must give us at least 15 days' prior 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) Provide you with updates to the manuals. We have the right to modify the manuals to reflect changes in the system including the development of or change in products and services [franchise agreement 9.1]. 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 6.2.2(iii)]. The master copy of the manuals maintained by us will be controlling in the event of a dispute relative to the contents of the manuals [franchise agreement article IX]. You may not copy any part of the manuals, either physically or electronically unless expressly approved or instructed by us.

2) At your reasonable request, or at our discretion, provide assistance either remotely or in person. For additional in-person assistance, you may be charged a fee and be required to cover travel, lodging, food, and other expenses (see Item 6) [franchise agreement section 7.2].

During the operation of your franchise business, we may:

3) Hold conferences or seminars and monthly meetings 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. At this time, attendance is not mandatory. We may charge an attendance fee, and you may be required to pay some or all your travel, lodging, food, and other expenses at the discretion of the franchisor (see Item 6). These conferences will be held at various locations chosen by us on through online channels as determined by Us [franchise agreement paragraph 6.1.13].

4) At our discretion, make periodic or regular inspections of your franchise business, which may be done in person or through remote access such as video or live video conferencing. We may provide you with written reports of our inspection. Upon our request, at all reasonable times, you will provide to us 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)].

5) Provide you with such continuing assistance in the operation of the franchise business as we deem advisable [franchise agreement section 7.2].

6) To the degree permitted by law, suggest retail price, and specify maximum and minimum pricing above and below which you will not provide any goods or services [franchise agreement paragraph

6.1.11]. You must honor all coupon, price reductions and other programs established by us [franchise agreement paragraph 6.2.2(i)].

7) Replace defective products purchased directly from us based on our standard limited warranty. For items purchased through third parties, you must work directly with your supplier of such items regarding warranties, defective products, training and support [franchise agreement paragraph 7.3].

Employment Matters

We do not assist you with the hiring, firing, managing or compensation of your employees. That is your responsibility. Other than initial management training, we do not assist you with training your employees. We may provide you with an employee guide or manual, but it will only be a sample of certain employment matters unless otherwise indicated by us. It is your responsibility to comply with local and federal employment laws [franchise agreement paragraph 6.1.9].

Advertising and Promotion

We may provide you with samples of marketing materials developed by us and provide new marketing techniques as developed [franchise agreement sections 10.3]. You may develop marketing materials for your use, at your cost, but all advertising and marketing material developed or used by you must have our prior written approval. Any advertising or marketing you create becomes our property and will be considered "works for hire" that can be used by us or other franchisees without compensation to you. If you do not receive written approval or disapproval within 10 business days of the date we received your submission, the materials submitted are deemed unapproved [franchise agreement paragraph 3.11 and sections 3.5 and 10.3-10.5].

Advertising Fund

Although, under the terms of the franchise agreement we are not obligated to conduct advertising for the franchise system, we currently maintain and administer a national advertising, marketing and development fund (referred to as the "marketing fund") for local or national marketing or public relations program as we, in our sole discretion, may deem necessary or appropriate to advertise and promote the franchise system. You must contribute 2% of your gross sales revenue to the marketing fund. We and our affiliates contribute to this fund on the same basis as the franchisees for locations owned by us or our affiliate.

We will direct all uses of the marketing fund, with sole discretion over: 1) the creative concepts, materials, endorsements and media used (which may include television, Internet, radio, print, and other media and marketing formats as developed over time, 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].

We are not required to spend any amount on marketing directly in the area or territory where you are located. We make no representations that advertising expenditures from the marketing fund will benefit you or any other franchisee directly, on a pro-rata basis, proportionally, or at all.

We may use the marketing fund to offset a portion of direct cost to manage and maintain the fund, including the payment of staff salaries, consultants and other expenses involved in the marketing fund.

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 our fiscal year. During the 2018 fiscal year, the marketing funds were used in the following ways: Brand Marketing 17%, Consultants/Admin 42%. Franchise Marketing 25%, Internet Advertising 12%, Other Advertising 1%, and Printing/Design/Production 3%.

No franchise council is anticipated at this time, and you are not required to participate in a local or regional advertising cooperative.

The Internet

You must have a website. The website must be designed by our approved supplier in accordance with our specifications (see Item 6). We will obtain your URL, and you will be required to pay the cost. You are also allowed to engage in social media, but all content must be in accordance with our standards as described in our operations manual. You must strictly comply with our policies and procedures regarding websites, social media, and Internet marketing. We will monitor your web site and social media activities for compliance purposes and reserve the right to revoke your use of these mediums at any time if they fail to meet our standards or misrepresent the brand. 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 accounts, or to provide us with administrator access, immediately upon our request. We reserve the right to require you to remove or alter a posting or restrict your right to use these sites in the future [franchise agreement section 10.6].

As used in this FDD, the term "Internet" means any present or future interactive system for electronic communications, using lines, cables, wireless, satellite, radio or any other technology; and which involves one or more of the following: the system of interconnected computer networks that use the internet protocol suite (TCP/IP) or its successor; websites or similar remotely-accessible electronic information sources (whether password protected or not); use of domain names, other locators, or emails that use our trademarks; internet phone services; cellular or similar messaging; mobile applications; social networks or social media; or wikis, podcasts, online content sharing communities, or blogging.

Computer / Point of Sale System

We require the use of at least 1 Square™ terminal point-of-sale system and cash drawer to be purchased or leased. The POS system will:

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

You are required to provide us with admin level login access to your POS system at all times. You must keep these systems available for our access 24 hour 7 days per week. We may require maintenance and updates and upgrades to your computer hardware, software and POS system at your expense during the term of the franchise agreement. There are no contractual limitations on our right to do so. We estimate the annual costs to maintain, upgrade and support your computer and POS system to be less than $1,000. We are not required to maintain, repair, update and/or upgrade your POS or computer system [franchise agreement paragraph 6.1.12].

You will be required to use only the standardized profit and loss statement templates and balance sheet templates that we will provide you [franchise agreement section 5.5].

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].

Initial Training

Your operating principal and your managers are required to attend and complete a training program which is held at our headquarters or other location designated by us. Successful completion will be determined by our trainers

The "operating principal" is: a) if the franchisee is an individual, that individual; or b) if the franchisee is an entity, an individual that owns at least 25% of the ownership and voting interests in the franchisee entity (unless you obtain our written approval of a lower percentage), has authority over all business decisions related to the franchise business, and has the power to bind the franchise business in all dealing with us.

Successful completion of training must be completed 2 weeks before you may open your franchise business. The length of training depends on the prior experience of your attendees but should last approximately 5 days. The estimated cost of training is listed in Item 5 and Item 7 [franchise agreement section 7.4]. After the initial training, any new operating principal and manager must complete initial training within 60 days of hire. Our fee for this additional training is listed in Item 6.

We also provide you with up to 5 days of opening assistance prior to and including during your store opening at no additional charge to you. During this opening assistance, our representative will assist you with the various aspects of training on your equipment, as well as providing general grand opening assistance and support. We will schedule this within 2 weeks after we receive notice you have an occupancy permit for your store from the local government authorities.

This initial 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			
Welcome/ Orientation	.5	0	Salt Lake City, Utah
Operations Manual Overview – Part 1	2.5	0	Salt Lake City, Utah
Espresso 101	3	0	Salt Lake City, Utah
Introduction to POS	.5	.5	Salt Lake City, Utah
Product Identification	2	0	Salt Lake City, Utah
DAY TWO			
Espresso Bar & Register	.5	4.5	Salt Lake City, Utah
Coffee College	1	1	
Marketing	.5	0	
Product Acquisition	.5	0	Salt Lake City, Utah
DAY THREE			
Vendor Review/Merchandising	1	.5	Salt Lake City, Utah
Espresso Bar (Repeat)	0	2	Salt Lake City, Utah

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING[2]	LOCATION*
Equipment Breakdown & Cleaning	2	1	Salt Lake City, Utah
End Of Day SOP	1	.5	Salt Lake City, Utah
DAY FOUR			
Store Opening/Espresso Bar	0	5	Salt Lake City, Utah
Coffee Cupping/Written Tests/Review	1	.5	Salt Lake City, Utah
Operations Manual Overview Part 2	1	0	Salt Lake City, Utah
Train to Train/Customer Service	.5	0	Salt Lake City, Utah
DAY FIVE			
Opening/Espresso Bar	0	4	Salt Lake City, Utah
Flagship Store Training (cont.) / Cash Management	1	5	Salt Lake City, Utah
Scheduling	.5	.5	Salt Lake City, Utah
Managerial Accounting and Inventory Procedures	3	0	Salt Lake City, Utah

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING[2]	LOCATION*
Personnel and Human Resources	2	0	Salt Lake City, Utah
Training Review	1	0	Salt Lake City, Utah
TOTAL	**25**	**25**	

* We may designate another location for training other than Salt Lake City, Utah.

All training will be conducted primarily by Connie Alexakos. Ms. Alexakos has been with BACH from its inception and has extensive retail experience with the Nature Company, Disney and Gymboree.

We will provide access to our manuals during training and other handouts to facilitate training. At this time, other than listed above, no additional trainings or refresher courses are required.

Any new operating principal or manager must complete the initial training within 60 days of hire. We will, in the absence of any other trained managers or operating principals, or if requested by the operating principal, provide this training for a fee as listed in Item 6. Attendees must sign a non-disclosure agreement acceptable to us before attending training.

ITEM 12
TERRITORY

Under the franchise agreement, we will grant you the right to use the system and proprietary marks solely at a specific location or within a specific geographic area, the boundaries of which will be negotiated prior to signing and are described in the franchise agreement.

The specific size of your territory is set by us based upon the population density, the metropolitan business base in the territory, whether your location is in a metropolitan or rural area, and other comparable factors, but generally, we will not place another franchise unit within 3 miles of a standard or standalone location. As a mobile/food truck franchisee, you will be given a specific territory where you can operate, but you may not operate within 3 miles of any other franchisee without our prior approval. Additionally, if there are multiple mobile/food trucks within a general area, we reserve the right to provide additional restrictions and/or rules in regards to where the mobile/food truck may operate, be parked or located. The written boundaries of your territory will be included in your franchise agreement. We have the right to adjust the boundaries of your territory if the population increased by 10,000 or more.

You are restricted to operations from an approved franchised premises or geographic territory. For the standard and standalone 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). Your territory is not dependent on achievement of a minimum sales volume, market penetration, or other contingency.

Your use of alternative means of marketing for the sale of products is limited to your website's , social media following, customer email lists or catering services. You must actively market, promote, develop and sell your franchise business products and services in your territory.

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 traditional franchise or company owned standard, standalone drive-through unit, or mobile/food truck unit using the trademark within your territory.

We and our affiliates, either personally or through agents and representatives, reserve the right to sell Bad Ass Coffee of Hawaii® outlets through non-traditional franchises at our discretion, both within and without your territory. These franchises may include locations at convention centers, sporting arenas, airports, or other similar locations.

We and our affiliates reserve the right to market sell and distribute products and services under Bad Ass Coffee of Hawaii® both within and outside in your territory using distribution channels, such as through websites, apps, social media, direct marketing, catalogs, national accounts, grocery, hospitality, retail and wholesale outlets, co-branding with other outlets, etc. We do not pay you for soliciting or accepting orders through other channels inside your territory. You may establish an online store to sell Bad Ass Coffee of Hawaii® products from your website, but only with our written approval and only through a website approved by us or designed by our designated supplier. We reserve the right to revoke our approval at any time. Other franchisees may accept orders from customers within your territory and you may accept orders from customers outside your territory.

You do not have any rights of first refusal, options, or similar rights to acquire additional franchises.

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 on the Principal Register. 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

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 our 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 parts of our franchise system.

You can use the proprietary information in our manuals and then only in connection with the system. The manuals may not be copied. The manuals must be returned to us or permanently deleted by you upon termination of your franchise agreement. As mentioned above, portions of the "system" are a trade secret or confidential and proprietary to us. You must also promptly tell us when you learn about unauthorized use of our copyrights, 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 any proceeding based on patents or copyright. You must modify or discontinue the use of any copyright, at your cost, if we modify or discontinue it, in our reasonable discretion. 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 patents or copyrights, and you will proceed in strict coordination and oversight by us. You may not act contrary to our rights in the patents or copyrights.

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

Your operating principal must personally participate in the direct operation and supervision of the franchise business. We recommend but do not require on-premises supervision by your operating principal. However, we do require on-premises supervision by your designated manager. Your operating principal and at least 1 manager, if separate from you, must attend and complete the initial training program. Your on-premises supervisor is not required to have an equity interest in the franchise business.

Your operating principal does need not manage the business full time but must work sufficient hours to operate your franchise business or supervise your manager so that your franchise business is operating at maximum capacity and efficiency. You must have at least 1 manager on-site during regular business hours. At a minimum, your operating principal is required to participate in your franchise business as follows: (i) be directly responsible for all accounting, reporting and bookkeeping; (ii) attend and complete all training and retraining courses required by us; (iii) attend any annual or special meetings of franchisees called by us; (iv) be directly involved with site selection, construction, remodeling and all financial components of the franchise business; and (v) be directly involved in all personnel decisions affecting the franchise business.

Neither you, your operating principal, 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 and must keep free from activities which would be detrimental to or interfere with the operation of your franchise business or detrimental to the franchise system. You, your partners, directors, members, shareholders, operating principal, and management employees will be required to sign our standard confidentiality agreements to protect and keep confidential out trade secrets and confidential information and to conform with the covenants not to compete described in Item 17. (See franchise agreement exhibits “A-4” and “A-5”). Your management employees will also be required to sign a confidentiality agreement. We provide this form, but it is your responsibility to conform it to the laws and regulations of your state. (See franchise agreement exhibit “A-7”).

You must operate the store not less than 7 days per week, as designated by us. You must also maintain sufficient supplies and materials and employ adequate personnel to operate the franchise business at maximum capacity and efficiency. Your operating principal must conduct frequent inspections of the franchise business to ensure the highest standards of professionalism, cleanliness, and a general pleasant appearance, and compliance with our approved methods.

Any individual who owns a 5% or greater interest in the franchise business 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 must provide or sell only those products and services specified and approved by us in writing. No product or service may be added to, altered, or discontinued by your franchise business unless it is first approved by us in writing. You must offer all products and services required by us. We reserve the right to add, modify and delete products and/or 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 our products and services.

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.

	PROVISION	FRANCHISE & OTHER AGREEMENTS	SUMMARY
a.	Length of the franchise term	Section 2.1	Term - 5 years. The franchise term will begin upon signing the franchise agreement and coincide with your lease agreement for the premises so long as the lease is approximately 60 months.
b.	Renewal or extension of the term	Section 2.2	If you are in good standing at the end of the franchise term, you can enter into a new successor franchise agreement for an additional term of 10 years. Your successor agreement may also provide an option to enter into a subsequent successor franchise agreement.
c.	Requirements for franchisee to renew or extend	Section 2.2	In order to renew, you must, among other things, not be in default, pay the successor franchise fee per franchise, modernize your franchise business to the then-current standards and sign the then-current franchise agreement. When renewing, you may be asked to sign a contract with materially different terms and conditions than your original contract.
d.	Termination by franchisee	Section 11.4	There are no provisions in the franchise agreement that permit you to terminate the franchise 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 if you materially breach and fail to cure. There are certain specified breaches for which we can terminate without giving you an opportunity to cure (see (h) below).
g.	"Cause" defined - curable defaults	Paragraphs 11.1 O-T	You have 24 hours to 30 days to cure certain material defaults of the franchise agreement.

	PROVISION	**FRANCHISE & OTHER AGREEMENTS**	**SUMMARY**
h.	"Cause" defined - non-curable defaults	Paragraphs 11.1 A-N	Non-curable defaults include conviction of felony, fraud, repeated defaults even if cured, threat of harm to the public, abandonment, trademark misuse, etc.
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, etc. (see (r), below).
j.	Assignment of contract by franchisor	Section 14.1	There are no restrictions on our right to assign.
k.	"Transfer" by franchisee - defined	Section 14.2	The definition of transfer by you includes the assignment and transfer of contracts, security interests, and ownership change, etc.
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	Conditions to transfer include: you are not in default, all fees are current, the new franchisee qualifies, transfer and training fees are paid, purchase agreement is approved, training for new franchisee arranged, new transferee signs the then-current franchise agreement, and a release is signed by you, etc. (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 or business assets within 60 days of written notice to us of offer.
o.	Franchisor's option to purchase franchisee's business	Section 13.1	Upon termination or expiration of the franchise agreement, we can buy your business assets at fair market value within 60 days.
p.	Death or disability of franchisee	Section 14.10	Within 120 days of death or disability, your personal representative must be approved and a new manager must be trained, if applicable, or the franchise must be assigned to an approved buyer. We have the right to operate your franchise business until a trained manager is in place for which fees will apply. (See Item 6).
q.	Non-competition covenants during the term of the franchise	Section 16.1	No involvement in competing business without our written consent.

	PROVISION	FRANCHISE & OTHER AGREEMENTS	SUMMARY
r.	Non-competition covenants after the franchise is terminated or expires	Sections 16.3 – 16.4	No competing business for 3 years within your former territory or within 10 miles of any other Bad Ass Coffee of Hawaii® franchise, company, 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 tolled and extended for the period of your competition, plus 6 months.
s.	Modification of the agreement	Section 20.11	Modifications must be made in writing and signed by both parties, but the manuals and policies and procedures and the manuals are subject to change by us.
t.	Integration / merger clause	Section 20.10	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. Notwithstanding the foregoing, no provision in any franchise agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Section 17.2	Except for certain claims, for all disputes there must be a face-to-face meeting, mediation and arbitration/litigation (see state specific addenda).
v.	Choice of forum	Sections 17.2 and 19.2	All dispute resolution must be held in Salt Lake City, Utah or the county where our then-current headquarters is located (subject to state law).
w.	Choice of Law	Sections 19.1 and 19.4	Utah law, the Federal Arbitration Act and the United States Trademark Act apply (may be subject to additional state law requirements).

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® ANNUAL GROSS SALES
January 1, 2016 – December 31, 2018
(Bad Ass Coffee of Hawaii® Franchised Locations)

Year		**Top 33%**	**Middle 33%**	**Bottom 33%**
2016	Number of Units	7	7	8 (including 1 mobile franchise)
	Gross Revenue Range	$811,855 - $514,217	$490,511 - $189,721	$154,131- $24,642
	Average Gross Revenue	$613,572	$338,614	$95,763
	Median Gross Revenue	$595,366	$323,121	$114,398
	Total Revenue of Subset	$4,295,003	$2,370,298	$766,105
	% Change from Prior Year	+3.18%	-3.34%	-4.98%
	% of 2016 Total Revenue for All Outlets	58%	32%	10%
	Total Number of Outlets	22		
	Total Revenue for All Outlets	$7,431,406		
	% Change in Revenue from Previous Year	-1.61%		
Year		**Top 33%**	**Middle 33%**	**Bottom 33%**
2017[1]	Number of Units	7	7	7 (including 1 mobile franchise)
	Gross Revenue Range	$738,848 - $539,341	$437,267 - $142,323	$130,015 - $21,641
	Average Gross Revenue	$631,103	$297,274	$69,479
	Median Gross Revenue	$633,360	$341,286	$70,737
	Total Revenue of Subset	$4,471,724	$2,080,935	$555,833
	% Change from	+5.71%	-12.21%	-27.45%

	Prior Year			
	% of 2017 Total Revenue for All Outlets	63%	30%	7%
	Total Number of Outlets	22		
	Total Revenue for All Outlets	$6,977,074		
	% Change in Revenue from Previous Year	-6.11%		
Year		**Top 33%**	**Middle 33%**	**Bottom 33%**
2018[1]	Number of Units	7	7	8 (including 1 mobile franchise)
	Gross Revenue Range	$838,036 - $554,968	$514,468 - $179,683	$114,949 - $24,476
	Average Gross Revenue	$649,114	$337,381	$58,861
	Median Gross Revenue	$614,093	$341,863	$56,121
	Total Revenue of Subset	$4,543,796	$2,361,666	$412,030
	% Change from Prior Year	+1.61%	+13.49%	-25.87%
	% of 2018 Total Revenue for All Outlets	62%	32%	6%
	Total Number of Outlets	23		
	Total Revenue for All Outlets	$7,327,073		
	% Change in Revenue from Previous Year	+5.02		

* Gross revenue means the total revenue derived from the sale of goods or services less sales tax, discounts, allowances, and returns.

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

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. 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 Connie Alexakos 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 2016 - 2018

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised[1]	2016	19	18	-1
	2017	18	16	-2
	2018	16	19	+3
Company Owned	2016	0	0	0
	2017	0	2	+2
	2018	2	1	-1
Total Outlets	2016	19	18	-1
	2017	18	18	0
	2018	18	20	+2

[1] This chart only includes franchises that are open and located in the United States or its territories. We have 3 open franchises in Japan.

Table No. 2
Transfers of Outlets from Franchisees to New Owners
(other than the Franchisor)
For Years 2016 - 2018

State	Year	Number of Transfers
Montana	2016	1
	2017	0
	2018	0
Total	2016	1
	2017	0
	2018	0

Table No. 3
Status of Franchised Outlets[1]
For Years 2016 - 2018

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
Arizona	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
California	2016	3	0	0	0	0	0	3
	2017	3	1	0	0	0	0	4
	2018	4	0	0	0	0	0	4
Florida	2016	4	0	0	0	0	0	4
	2017	4	0	0	0	2	0	2
	2018	2	3	0	0	0	0	5
Hawaii	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Montana	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Nevada[2]	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
New Mexico[3]	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
New York	2016	1	0	0	0	0	1	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
Oregon	2016	2	0	0	0	0	0	2

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
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	1	0	1
Utah	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Virginia	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
US Virgin Islands	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Puerto Rico	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	1	0
	2018	0	0	0	0	0	0	0
Totals[1,2]	2016	19	0	0	0	0	1	18
	2017	18	1	0	0	2	1	16
	2018	16	4	0	0	1	0	19

[1] This chart only includes franchises that are open and located in the United States or its territories. We have 3 open franchises in Japan.

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

[3] An additional unit opened in early 2019.

Table No. 4
Status of Company-Owned Outlets
For Years 2016 - 2018

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
Florida	2016	0	0	0	0	0	0
	2017	0	0	2	0	0	2
	2018	2	0	0	0	2	0
Oregon	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	1	0	0	1
	2016	0	0	0	0	0	0
	2017	0	0	2	0	0	2
TOTAL	2018	2	0	1	0	2	1

Table No. 5
Projected Openings as of December 31, 2018

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
Arizona	0	2	0
California	1	2	0
Florida	1	1	0
New Mexico	1	1	0
Ohio	0	1	0
Texas	0	1	0
Utah	0	1	1
Total	3	8	1

Exhibit “D” contains a list of our current franchisees. Exhibit “D” also contains a list of 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 application date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

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, 2018, December 31, 2017 and December 31, 2016.

ITEM 22
CONTRACTS

We have attached the following: as Exhibit “A,” the Franchise Agreement and its exhibits; as Exhibit “B,” the Statement of Prospective Franchisee; as Exhibit “H,” Deposit Agreement; and as Exhibit “I,” 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, fax it to 801-463-2606, or email it to us at info@badasscoffee.com.

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, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with California law, California law 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 unenforceable.

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. 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, but the California franchise laws may prevail in some instances. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California laws.

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. OUR WEBSITE at WWW. BADASSCOFFEE .COM HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY

COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

12. Item 19 is amended to include the following:

"The earnings claims 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 franchised business. Franchisees or former franchisees, listed in this offering circular, may be one source of this information."

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.

Effective Date April 8, 2018

SCHEDULE 3

ADDENDUM TO THE DISCLOSURE DOCUMENT FOR THE STATE OF VIRGINIA

FOR RESIDENTS OF THE STATE OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Bad Ass Coffee Company of Hawaii, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

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.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the franchise agreement and area developer agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, 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

TABLE OF CONTENTS

ARTICLE		PAGE

Exhibits

BAD ASS COFFEE COMPANY OF HAWAII, INC.
FRANCHISE AGREEMENT
(______________________________________)

THIS FRANCHISE AGREEMENT ("Agreement") is entered into and made effective as of ________________________________, 20__ by and between **BAD ASS COFFEE COMPANY OF HAWAII, INC.**, dba Bad Ass Coffee of Hawaii, a Utah corporation ("Franchisor" or "We," "Us" or "Our" as further defined in Article XXI below) and **______________________, LLC/INC.** ("Franchisee" or "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 ("Franchise Business" or "Bad Ass Coffee of Hawaii® Business"). The system Includes specific Marks, interior design, store layout and décor, 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 proprietary and Confidential Information and other Intellectual Property ("System" or the "Bad Ass Coffee of Hawaii® System"); and

WHEREAS, We will provide You with Our confidential Manuals 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 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 understand that Your consistent and uniform presentation of the System and Franchise Business are essential; and

WHEREAS, Fees due under this Agreement are set forth on Exhibit "A-3" to this Agreement; 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-sublicensable 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") within Your Territory or within an approved Territory for the operation of a mobile/food truck franchise. Your Territory is set forth on Exhibit "A-1" ("Territory"). You agree to operate Your Franchise Business at the Premises or 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 or grant to any person or entity a franchise for a traditional company-owned outlet (standard, standalone drive-through, or mobile/food truck unit) within the Territory using the same or similar System as that licensed by this Agreement. You are granted a protected territory, meaning We will generally not place another Bad Ass Coffee of Hawaii® unit within 3 driving miles of Your Premises, but this may be adjusted depending on the density of the population within Your Territory and/or the location of Your Premises.

1.1.2 Population Increase. We have the right to adjust the boundaries of Your Territory if the population in Your Territory increases by 10,000 or more.

1.1.3 Food Truck Restrictions. If this Agreement is for a mobile/food truck Franchise Business, You will be given a specific territory where You can operate, but You may not operate within 3 miles of any other franchisee without Our prior written approval. Additionally, if there are multiple mobile/food trucks within a general area, We reserve the right to provide additional restrictions and/or rules in regard to where the mobile/food truck franchises may be operated, parked or located. If You operate a mobile/food truck, You are required to sign Our mobile/food truck addendum attached as Exhibit "A-10."

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.

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, the Internet, apps, Social Media, catalog sales, mobile units, direct sales, grocery, hospitality, retail or wholesale outlets, and/or co-branding with others without compensation to You. 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 license for use of 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 retail.

1.4 Entity Franchisee. If You are operating as a partnership or an entity, You must designate 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. You agree not to use Our Marks or any other name similar thereto in the name of any partnership or 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 (or within the Territory for mobile/food truck franchises) 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 cannot operate any other business from the Premises or Your mobile/food truck other than the Franchise Business.

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 5 years, unless terminated earlier pursuant to Article XI herein. However, at the time You sign a lease for the Premises, the term will be extended to coincide with the expiration date for the lease, so long as such lease is approximately 60 months, unless otherwise agreed in writing by Us. If We are required by law or otherwise to give You notice before the Termination 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 10 years by giving Us written notice by certified mail with a confirmed delivery and read receipt, or personal delivery at least 180 days and not more than 1 year prior to the expiration date of the term hereof. 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 agree that You will be required to abide by Our then-current Fees. In addition to Our rights to terminate as set forth in Article XI, Your month-to-month Franchise Business may be terminated only by Us upon 30 days' prior written notice to You for any reason whatsoever.

2.2.1 Commencement Date for Successor Franchise Term. Unless another date is specified in a Successor Franchise Agreement, which date will supersede, said Successor Franchise term Including, any month-to-month term, will commence on the day following the expiration date of the initial or applicable Successor Franchise term.

2.2.2 Notice of Non-Approval. Upon receiving Your election to enter into a Successor Franchise, We will have 45 days to provide written notice in the event You do not qualify for a Successor Franchise or as otherwise required by law.

2.2.3 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 90 days prior to the expiration of this Agreement, 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 You will be bound by the form of the Successor Franchise Agreement in effect at the time which may contain 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. You acknowledge and agree that We can require You, at Your expense, to reasonably renovate, remodel, redecorate, resign, refixture, upgrade 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 as We determine.

2.2.4 Successor Franchise Fee. If approved for a Successor Franchise, You must pay to Us a non-refundable Successor Franchise Fee set forth in Exhibit "A-3," payable in full at the time of execution of the Successor Franchise Agreement.

2.2.5 Successor Franchise Training. You and Your designated manager(s) may also be required to attend and successfully complete trainings, certifications and other programs at such times and locations as We specify. You may be required to cover the expense of travel, meals, lodging and other related costs for such training.

ARTICLE III
INTELLECTUAL PROPERTY

3.1 Intellectual Property. You acknowledge that: 1) We have the sole rights in and to the System; 2) Your right to use the System is granted by Us solely pursuant to the terms of this Agreement; and 3) as between You and Us, We have the sole right to license and control the Marks, System, and all copyrights, Confidential Information, trade names, trade dress and other Intellectual Property.

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 of this Agreement. You expressly covenant that during the term of this Agreement and after the Termination thereof, You will not: 1) directly or indirectly contest or aid in contesting the validity of Our ownership of Our rights in 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.

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 Café" 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, approved and as instructed by Us, whenever and wherever such Marks are used. 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 in or on 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 cooperate fully 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. You further agree to immediately notify Us as soon as You become aware of any infringement or apparent or alleged infringement of the Marks or any part of the Intellectual Property.

3.4.2 Use in Marketing. You have the right to use the Marks in Your Marketing efforts only as set forth in Article X.

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.

3.5 Copyrights. All right, title and interest in and to all materials, artwork and designs used with the Marks or in association with the System ("Copyrighted Materials") are Our sole and exclusive property and cannot be reproduced or replicated either during or after this Agreement.

3.6 Manuals. You agree that the Manuals and other materials and documents provided to You by or through Us will remain Our sole property. 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 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 as between You and Us, We will have the sole control over any legal or administrative action concerning the proprietary names and 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 that might be deemed to have arisen through Your activities is 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. Any and all customers and potential customer data and lists ("Customer Data") even if deemed to have arisen through Your activities, is Our sole property and inures directly and exclusively to Our benefit. 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 or other transmission of information, Including any anti-spam legislation.

3.9 Use of Name. Within 30 days of signing this Agreement, You must file for a certificate of assumed or fictitious name or a "doing business as" name ("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, and Include Your assigned franchise designation in such filing. You must provide Us with a copy of Your DBA registration and/or certificate upon receipt of the same, and upon Our request from time to time. 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, Manuals, website, Social Media, Marketing materials, apps or any other documents or information pertaining to or relating to the System, or any Intellectual Property related to the System or any creative concepts, 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 disclosing of the Improvements to others and will obtain Our written approval before using or implementing the Improvements. All improvements You create will be owned by Us and considered a "work for hire" as defined in Section 101 of Title 17 of the United States Code (the Copyright Act). If all or part of any Improvement or a derivative thereof, which You create is, for any reason, deemed not to be a work-for-hire, then You hereby irrevocably transfer and assign to Us or Our affiliate, all right, title, interest and ownership including license rights, in the improvements or derivative, and You agree to execute any document necessary to effectuate the transfer and assignment. To the extent You have any moral or similar rights in an improvement or derivative, You expressly waive those rights. Any

Improvement may be used by Us and all other franchisees without any obligation to compensate You. We reserve the right to make application for and own Intellectual Property relating to any such Improvement, and You will cooperate with Us in securing these rights. We may also consider any Improvement as Our trade secret. At Our discretion, We may authorize You to utilize any Improvement that may be developed by You, Us or other franchisees.

ARTICLE IV
CONSTRUCTION, COMMENCING OPERATIONS AND LEASE

4.1 Location of Premises. If You operate a standard or standalone drive-through franchise, 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 employ a local real estate agent to assist You in the selection of the site for Your store. 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 provide You with a site checklist and evaluation guide for Your use, but We do not prepare demographic studies or otherwise evaluate the potential success of Your proposed site, nor do We warrant or guarantee the success of the location or site. Location approval should be completed by Us within 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 12 months from the date hereof.

4.2.1 Design of Premises. You are required to purchase an interior design and decor package from Us, an affiliate or an approved supplier as directed by Us, and 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. This interior package Includes: 1) consultation and or review of floor plan; 2) drafting a documented design for the interior of the store; 3) creating an outline to the architect for any ancillary electrical or plumbing that derives through the design process; 4) ordering and shipping materials and elements required for design completion; and 5) serving as a project manager for the coordination and construction of the interior design to completion. The cost of the interior package Includes the following expenses: design elements (palm trees, artwork, merchandising materials, menu boards, interior signage, branded tables, chairs, surfboards, etc.), labor, housing, and travel. The fee is payable 50% upon execution of the lease and 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 or floor material; 3) sound system; 4) electrical contracting; 5) plumbing contracting, light fixtures, paint and corrugated metals; 6) permanent construction contractor cost; or 7) disposal of trash or any construction debris.

4.2.2 Abandonment of Construction. Abandonment of construction or stoppage of construction for 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 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 12 months following completion of Your Premises, and You must give Us not less than 15 days' prior written notice of the opening. We have the right to inspect and approve Your Premises and other aspects of Your operations relating to Your compliance with this Agreement 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 if You are unable to find an approved location.

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 ("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 15 calendar days after execution. If You own the Premises, You hereby agree to lease the facilities to Us upon Termination of this Agreement at a rate not to exceed its fair market rental value, and on commercially reasonable terms and conditions.

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 Terminates. 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. We also have the right to assign the Lease to another franchisee. You and Your landlord may be required to complete and sign a rider or addendum to the Lease agreement that: (i) grants Us an option to assume Your position as a lessee under the lease if You are in material default of either the lease agreement or this Agreement; and (ii) requires the Landlord to fully cooperate with Us in completing de-identification of the Premises and Franchise Business if this Agreement is Terminated for any reason. The Landlord's consent is attached hereto as Exhibit "A-8" and by reference made a part hereof.

4.5.3 Assumption of Lease. We will have 90 days from the date of Termination of this Agreement to exercise Our right and option to take and assume 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, attributable to, or in any way related 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 solely 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 written approval. You must give Us at least 60 days' prior written notice of Your intent to relocate. Our approval of Your new site will be based upon the same criteria used in approving a new franchisee's proposed site. In Our sole discretion, You may be required to attend an initial training program if You choose to move Your Premises.

ARTICLE V
FEES AND REPORTS

5.1 Initial Franchise Fee. You must pay Us the initial franchise fee listed in Exhibit "A-3" 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 franchise fee is paid in full.

5.1.1 Additional Franchises. During the term of this Agreement, You may purchase additional franchises at a discounted initial franchise fee per location as listed in Exhibit "A-3." This option will only be available to You if there are franchise territories available, You meet Our then-current criteria for new franchisees, You are current and not in default of this Agreement, and, in Our sole discretion, We determine to sell You another franchise. You will be required to sign Our then-current franchise agreement, which may have material terms different from this Agreement.

5.2 Royalty. You must pay Us a non-refundable on-going weekly royalty as listed in Exhibit "A-3." 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. You must pay Us the Marketing Fee listed in Exhibit "A-3" for Our Marketing and promotion programs. The Marketing Fund Fees are deposited into a separate bank account specifically designated for Our Marketing activities.

5.3.2 Local Marketing. You are responsible for Marketing Your own franchise in Your local market. You must spend a minimum amount every month for local Marketing and promotion programs in Your Territory. This amount is listed in Exhibit "A-3" and is paid directly to suppliers of Your local Marketing.

5.4 Calculation and Reporting. The calculation, reporting and payment of the Fees specified in Sections 5.2 and 5.3 above will be made as follows:

5.4.1 Gross Sales Report and Other Reports. You must forward to Us by email, or other electronic reporting program as We may establish from time to time, not later than the 1st and the 16th of every month, a report of the financial activity of the immediately preceding period 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 are also required to provide us a cost of goods sold and labor metrics report by the 5th day of each month for the prior month's expenses. We reserve the right to require all reports to be submitted at more frequent intervals.

5.4.2 Payment Due Date and Operating Account. All payments to Us must be paid by e-checks, ACH, or credit card or as otherwise specifically directed by Us. Our current ACH agreement is attached hereto as Exhibit "A-9" and may be modified by Us at any time in Our sole discretion. Currently, the royalty and marketing fees as shown and calculated on the Gross Sales Report are due and payable and must be received from Your Operating Account on the 1st and 16th day of each month ("Due Date"). We reserve the right to require daily payment of all royalty, marketing and other Fees in the future.

5.4.3 Operating Account. You agree not to have more than one Operating Account. If You fail to timely report Gross Sales, We may automatically sweep or debit an estimated amount of Fees due to Us. You will be responsible to pay Us any amount owing if We underestimate Your payment to Us, and We will credit You with any overage that We charge. **At all times, You must maintain adequate working capital in your Operating Account sufficient to keep Your business in operation for at least 2 months, not Including cash flows.**

5.4.3 Late Fees. If a required Fee or report is not timely received by Us as set forth above, You will be assessed a late per violation, Fee as set forth in Exhibit "A-3." These fines are due within 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 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 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 Fees or other sums previously or hereafter received by Us under this Agreement ("New Tax"), then in addition to all 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 are required to provide Us with quarterly 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, within 15 days following the end of each quarter. The financial statements and accompanying documents do not need to be prepared by Your accountant or audited unless specifically requested by Us, at Our discretion. 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 15 days following the date of submission.

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 2% or more of the Gross Sales in the computation or payment of Fees due to 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 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 any payments owing to Us.

5.7 No Refunds. The 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 Website Maintenance. You will be required to pay the Fee set forth in Exhibit "A-3" in connection with Our maintenance of the website and emails. This Fee may be updated periodically in Our Manuals.

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. You are solely responsible for ensuring compliance 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 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.

6.1.1.1 Licensing. You agree to obtain and maintain all required permits and licenses 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, permits, etc., are necessary in connection with the operation of Your Franchise Business.

6.1.2 Appearance and Customer Service. You must establish and maintain the Premises and/or Your mobile/food truck in clean, attractive and repaired condition and 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 Your Franchise Business.

(i) You agree to arrange the fixtures, signs, furniture and décor 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 décor 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 exterior and one interior sign displaying Our Marks, and in conformance with Our prototypical signage. In addition, You agree to have the number of additional signs as provided in Our Manuals. All signs to be used on, 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. Your Operating Principal and Your designated managers, if other than Your Operating Principal, 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 are required to implement a training program related to brand and trademark quality control for Your employees in accordance with Our policies and procedures and all other training programs as may be specified by Us from time to time for which a Fee may be charged. All attendees attending a training must sign a non-disclosure agreement acceptable to Us before attending training.

6.1.5 Other Agreements. You agree to execute all other agreements required under this Agreement or as reasonably requested by Us from time to time and to provide Us with a copy within 15 days of execution.

6.1.6 Management. Unless waived by Us in writing, Your Operating Principal is required to personally participate in the direct and on-premise operation of Your Franchise Business but need not manage the Franchise Business full time. Your Franchise Business must be managed by either Your Operating Principal 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 must disclose the identity of Your Operating Principal to Us and You must immediately notify Us in writing if Your Operating Principal or designated manager is no longer acting in such capacity. Your Operating Principal and any designated manager (if applicable) must successfully complete and pass Our initial training program before assuming management responsibilities. Your Operating Principal is not required to work a certain or minimum number of hours; however, Your Operating Principal must maintain sufficient inventory, supplies and products, and must work sufficient hours and employ adequate personnel to operate Your Franchise Business at its maximum capacity and efficiency.

Your Operating Principal must devote their primary attention to the Franchise Business, and You, Your Operating Principal 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 Your Operating Principal to be involved in the day-to-day on-premises management, at a minimum, Your Operating Principal is required to participate in Your Franchise Business as follows: (i) be directly responsible for all accounting, reporting and bookkeeping; (ii) attend and complete all training and retraining courses required by Us; (iii) attend any annual or special meetings of franchisees called by Us; (iv) be directly involved with site selection, construction, remodeling and all financial components of the Franchise Business; and (v) be directly involved in all personnel decisions affecting the Franchise Business.

6.1.7 Operational Hours. You must operate Your Franchise Business at least 7 days per week throughout the year (unless waived in writing by us) and at the hours We designate.

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, other than required changes to the Marks, but not more often than every 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 structural changes, new equipment, remodeling, redecoration of the furnishings, fixtures and décor and such modifications to existing improvements as may be reasonably necessary, such that all locations will have a generally similar look and appearance. You must complete all such updates and upgrades within 6 months of notice from Us of the requirement to upgrade and otherwise remodel Your Franchise Business as set forth above. 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. You are solely responsible for the hiring, firing, compensation, benefits, managing and training of Your employees. We do not assist You in the hiring, firing, management or other employment decisions regarding Your employees, or in creating policies or terms and conditions related to the management of Your employees or their employment. We may provide You with an employee guide or manual, but it will only be a sample of certain employment matters unless otherwise expressly provided by Us. It is Your responsibility to comply with local and federal labor and employment laws.

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 occurrence 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.

(ii) Policy Requirements. Other than worker's compensation, these policies must insure You and Us and Our nominees as additional insureds, without regard to any other insurance program which We may have in effect, against any liability which may accrue by reason of or relating to 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 and within 15 days of any request which We may make from time to time.

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. 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 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. Unless other agreed to by Us in writing, You cannot advertise or promote prices lower than, or inconsistent with, 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 a minimum of one Square™ terminal point-of-sale ("POS") system and cash drawer or other computer hardware and software systems designated by Us in strict accordance with Our specifications as they evolve over time. 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 all such items at Your sole expense. You are required to provide Us with administrative level login access to Your POS system at all times. You must keep these systems available for Our access 24 hour, 7-days per week. 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, acts, omissions 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 POS System. 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 5 years following the end of the year in which the items pertain, Including after the Termination of this Agreement. You are required to follow Our accounting procedures, line items and templates and charts of accounts as provided and updated 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.

(iii) Data Security Standards. At Your cost and expense, You must investigate and ensure that You comply with all payment card industry ("PCI") and data security standard ("DSS") standards, regulations, and requirements; however, We reserve the right to approve of the vendor You use for compliance. You must meet the requirements of, and comply with enhancements and changes to, the PCI and DSS and maintain PCI compliance with the current version of the PCI and DSS. We reserve the right to require an audit (and to designate the auditor) to verify compliance. You must reimburse Us for the costs related to the audit if You are not in compliance. You are responsible to use all required tools, systems, and vendors to complete ongoing PCI requirements Including quarterly external security scans and annual self-assessment questionnaires. You are solely responsible for all costs relating to PCI compliance and data security issues, Including, security threats, breaches, and malware. It is Your responsibility to alert Us, not later than 24-hours following a suspected or confirmed data security breach, so that appropriate action can be taken to protect customer data and notify relevant parties. You are not permitted to collect, store, transfer, etc., any unnecessary customer information.

6.1.13 Conferences and Seminars. In Our discretion, We may hold annual conferences or conduct monthly meetings and seminars 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 matters. The conferences and seminars may be held at various locations or by online channels as determined by Us. We may conduct additional conferences and/or seminars to discuss information relevant to Your Franchise Business as determine by Us. If any conference or seminar is held at a physical location, You may be required to attend, and You may be required to pay some or all Your travel, lodging, food, and other expenses to attend, as determined by Us.

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 defect. 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.

6.2.2 System Compliance. You agree to strictly follow Our System, the Manuals, recipes, formulations, and other directives promulgated or provided by Us from time to time and to promptly implement such changes in Your Franchise Business, and to act in good faith in all Franchise Business and

System matters and dealings. We may approve exceptions or changes from the uniform standards which We, in Our sole discretion, believe necessary or desirable. 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.

(i) Incentive Programs. If We adopt a loyalty, coupon, gift, or other discount or incentive 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 food and beverage products, equipment, logoed, branded and other items and supplies from sources designated or approved by Us.

(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. 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 or Your Franchise Business without Our prior written approval.

(iv) Inspections and Visits. You hereby consent to regular and/or periodic inspections and audits during normal business hours of Your Premises and/or service vehicles as set forth in Section 7.5 below.

(v) Non-Contravention. You agree that You will not, at any time, undertake any action, either verbally or in writing, to circumvent, contravene, disparage, or undermine the purposes of this Agreement, the System, Us or Our officers, owners, partners, directors, members, managers, representatives, agents or employees.

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, who own 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 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.

6.3.3 Required Notices. You are required to provide Us with prompt notice (within 5 business days of receipt) of any default with regards to late payment of any taxes, government fines, payments owning to any vendors, landlords or amounts owing to employees or contractors.

ARTICLE VII
FRANCHISOR'S OPERATIONAL ASSISTANCE

7.1 Franchisor's Services. We agree to the following:

7.1.1 Layout and Design. We will provide You with general specifications for the design layout, signs, equipment and interior décor of Your Franchise Business. You must meet Our design standards and specifications unless waived in writing by Us.

7.1.2 Suppliers and Products. We will provide You with a list of specifications and a list of approved suppliers of Bad Ass Coffee of Hawaii® food and beverage products, equipment, signs, software, etc. At Our discretion and at any time, We may add to or discontinue working with any of Our suppliers. There is no guarantee or promise that the relationship with any of Our current suppliers will continue or be available to the System.

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, video conference, teleconferences, or website posting during regular business hours during the continuing operation of Your Franchise Business. However, for problems and training for items purchased from a supplier, 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 a per day, per person Fee.

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

7.4 Training. We will train Your Operating Principal and Your designated manager in the various practices, policies and procedures of operation of Your Franchise Business. This training will take place at Our training center in Salt Lake City, Utah or other location designated by Us. Your Operating Principal and Your designated manager, if separate from Your Operating Principal, are required to attend the same training and successfully complete the training program. The length of training is generally 5 days but could be longer if Your Operating Principal or Your designated manager fails to successfully complete the training. Your attendees must complete training at least 2 weeks prior to opening Your Franchise Business. Successful completion will be determined by Our trainers but may Include demonstrating knowledge of basic techniques, knowledge of policies and procedures, food preparation and assembly, daily operations, record keeping, computer system competency, 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 3 management and/or executive level persons; however, You must bear the cost of all travel, lodging, meals and all other living costs and expenses and salaries for all of Your attendees at the training session. We may charge a fee for a Fee for additional attendees to attend training. All attendees must sign a non-disclosure agreement acceptable to Us before attending training.

7.4.1 Replacement Training. Any new Operating Principal or manager must complete the initial training within 60 days of hire. We will provide this training for a Fee as listed in Exhibit "A-3." Attendees must sign a non-disclosure agreement acceptable to Us before attending training.

7.4.2 Opening Assistance. We will provide You with up to 5 days of opening assistance during Your grand opening at no additional charge. During this opening assistance, Our representative will assist You with the various aspects of training on Your equipment, as well as providing general grand opening assistance and support. We will schedule this within 2 weeks after We receive notice You have an occupancy permit for Your store from the local government authorities.

7.5 Inspections and Visits. We may make regular and/or periodic 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. These inspections may be conducted in person or through remote access such as video or live video conferencing. Our inspections may Include Your Premises, mobile/food truck, 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 digital video and/or images of the interior and exterior of Your Premises mobile/food truck and business vehicles as set forth in the Manuals. 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.

7.6 Interim Management. We may require, based on Your defaults or poor performance (or as set forth in Section 14.10) that we step in to manage Your Franchise Business for a period of time, as We deem advisable for a Fee, while We manage Your Franchise Business. You will continue to pay and remain responsible for all Fees required by this Agreement.

7.6.1 Operations, Access to Information and Operating Account. During the interim management period, You hereby grant Us authority to assist You in managing any or all aspects of Your Franchise Business. We will work directly with Your Operating Principal and Your manager, and We may require additional training for Your Operating Principal, Your manager and other employees. You will be required to cooperate to provide Us with all pertinent information regarding Your Franchise Business and access to the applicable operating accounts to enable Us to efficiently assist with management operations. You hereby grant Us permission to speak directly with Your landlord and suppliers, banks, IRS and state agencies, creditors, etc., regarding Your Franchise Business, and You will cooperate with Us to facilitate such communication. We may require You to establish a new bank account for Your Franchise Business during the interim management period into which all operating income will be deposited. You and We (at Our option) will have authority over this account, and You or We will make payments on Your accounts payable as cash is available, but only with Your prior authorization and direction. You will ultimately remain responsible for all operating costs both before and during the interim management period. You must provide Us with a list of all accounts payable with direction on which accounts are to be paid, but with the understanding that all taxing authorities will be paid first. Any excess funds in the Operating Account or any new account after all applicable costs have been paid and after an additional amount has been set aside sufficient for the Franchise Business to fulfill its business purposes as determined by Us, will be transferred to You monthly. We may provide monthly internal profit and loss statements to You. We have no obligation to infuse capital into Your Franchise Business, but if We do, such amounts will be treated as a loan, which must be repaid with a specific time period with commercially reasonable interest as agreed. We have the right to direct Your employees during the interim management period. Both You and We agree that in no way does Our interim management create a relationship of trustee, beneficiary or any type of fiduciary relationship over or in relationship to Your Franchise Business.

7.6.2 Your Obligation to Cure. During the interim management period, You will remain obligated to cure all applicable defaults within the applicable cure periods as set forth in this Agreement. We have the right to terminate this Agreement during the interim management period for defaults not cured within the applicable cure periods.

7.7 Additional Guidance. 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 Operating Principal, designated managers and assistant managers concerning operational matters that We reasonably believe affect Our goodwill, Marks, or the System.

7.8 Non-Compliance. We may deny any or all of the above services to You while You are in default of this Agreement or any related agreement with Us or an affiliate.

ARTICLE VIII
PURCHASE OF PRODUCTS

8.1 Approved Products and Services. You agree to use, provide, and sell only those 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 immediately upon notice from Us. You are prohibited from selling, leasing or offering any products or services not authorized by Us in writing.

8.2 Your Purchases. 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 or an affiliate may receive compensation 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 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 to approve a supplier. We will notify You in writing and within a reasonable time as to whether such supplier meets Our specifications. Prior to testing, You will be required to pay an evaluation fee as set forth in Exhibit "A-3," plus reasonable costs and expenses of Our evaluation. There is no refund of this Fee regardless of whether the requested supplier is approved. A supplier who is able to meet 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 make changes in the standards and specifications for approved suppliers. At Our discretion, We may revoke Our approval of an approved supplier upon 30 days' prior written notice.

ARTICLE IX
MANUALS

9.1 Manuals. We will loan You a copy of or allow electronic access to the Our Manuals. You may not copy any part of the Manuals either physically or electronically, unless expressly approved or instructed by Us. The Manuals are confidential and remain Our property and contain mandatory and suggested specifications, standards and procedures for the operation of Your Franchise Business. The Manuals may be used by You only in association with Your Franchise Business and only during the term of this Agreement. We have the right to revise 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 to the Manuals. The master or most updated copy of the Manuals maintained by Us will be controlling in the event of a dispute relative to the contents of the Manuals.

9.2 Standards and Procedures. We may establish performance procedures, standards and specifications, recipes for products, services, and Marketing ("Standards") for the operation of Your Franchise Business and the products and services provided, and which will become part of the Manuals and System. We may change these Standards at Our discretion, and You must strictly follow and implement all such Standards within the periods required by Us.

ARTICLE X
MARKETING

10.1 Marketing Fund. We have the right to institute, maintain and administer a national Marketing and brand development fund ("Marketing Fund") for such Marketing or public relations programs as We, in Our sole discretion, may deem necessary or appropriate to advertise and promote the System. You agree to participate in all Marketing programs instituted by Us. The fees for the Marketing Fund are listed in Paragraph 5.3.1.

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 (which may Include television, Internet, radio, print, and other media and Marketing formats as developed over time, 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 such programs (which will be local or regional); 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 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. We have the right to loan money to the Marketing Fund to cover any deficits. The Marketing Fund is not in the nature of a trust, fiduciary relationship or similar special arrangement and We disclaim any such relationship.

10.1.2 Use of Marketing Fund Fees. 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. We are not required to spend any amount on Marketing directly in Your area or Territory, and 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 make no representations that Marketing expenditures will benefit You or any other franchisee directly, on a pro-rata basis, proportionally, or at all. 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 90 days of the end of each year.

10.3 Local Marketing Requirement. You are required to Market locally as set forth in Section 5.3.2. We have standard store opening Marketing strategy recommendations which are provided to You as part of Your Initial Franchise Fee.

10.4 Sample Marketing and Promotional Materials. At Our discretion or upon Your reasonable request, We will provide You digital samples of Marketing and promotional materials developed by Us from time to time.

10.5 Approval of Marketing. You may develop Marketing and promotional materials and digital Marketing programs 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 unapproved if You do not receive written approval or disapproval within 10 business days of the date We receive the submission. We have the right to disapprove previously approved Marketing materials at any time.

10.5.1 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 digital, 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 digital, 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 digital, electronic, or Social Media in Our discretion. You are required to participate in all Marketing, email, and other programs as developed by Us, Including the collection of Customer Data and participation in using and promoting apps, as developed by Us and as directed in Our Manuals.

10.6 Internet and Social Media. You must have a website. The website must be designed by Our approved supplier in accordance with Our specifications. We will obtain Your URL, and You will be required to pay the cost. You are also allowed to engage in Social Media, but all content must be in accordance with Our standards as described in Our Manuals. You must strictly comply with Our policies and procedures regarding websites, Social Media, and Internet marketing. We will monitor Your web site and Social Media activities for compliance purposes and reserve the right to revoke Your use of these mediums at any time if they fail to meet Our standards or misrepresent the brand. 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 accounts, or to provide Us with administrator access, immediately upon Our request. We reserve the right to require You to remove or alter a posting or restrict Your right to use these mediums in the future. You may establish an online store to sell Bad Ass Coffee of Hawaii® Products from Your website, but only with Our written approval and only through a website approved by Us or designed by Our designated supplier. You may not engage in other Internet Marketing channels, Including posting items/services on third party re-sell or auction style websites, Including eBay®, Craigslist, Amazon.com or use of apps without Our prior written permission.

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. If curable, You must cure a default within the time periods set forth below after receiving notice of default. If the default is one which is incapable of cure, Termination is effective as of the date of the notice of default.

No Cure Period:

A. 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.

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

C. Repeated Breaches. You repeatedly breach (3 or more times) the same or different conditions of this Agreement or the Manuals within a 12-month period.

D. Unauthorized Use of Marks. You use any Mark or other proprietary or property right, either tangible or intangible, granted by this Agreement other than in connection with the operation of Your Franchise Business.

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

F. Misrepresentations. You make any material misrepresentations relating to the acquisition of the Franchise Business.

G. Abandonment. You abandon Your Franchise.

H. 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 an unapproved percentage of Your franchise entity, 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.

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

J. Crimes and Adverse Behavior. You commit or are convicted of or plead 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 make disparaging remarks against Us, Our management, employees, the System, or Our brand to Our other franchisees or in a public forum, Including radio, television, newspapers, the Internet, or Social Media; or Your engage in conduct which reflects materially upon the operations and/or reputation of Your Franchise Business, the System or Us in an adverse manner.

K. 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.

L. Termination of Lease Agreement. Your lease agreement for the Premises is Terminated.

M. Illegal Drug Use. You use illegal drugs or abuse prescription medication and such use negatively affects Your Franchise Business, the Marks or Our goodwill.

N. 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.

24-Hour Cure Period:

O. Health Code Violations. You fail to cure a code violation within 24 hours of an inspection by Us or the applicable governmental agency except for threats to the public safety which may be cause for immediate Termination.

15-Day Cure Period:

P. Failure to Pay. You fail to pay any Fee or an 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.

Q. Failure to Accurately Report. You fail to accurately report or fail to submit any reports or records required under this Agreement or the Manuals.

R. Default Notice of Lease Agreement. You receive a notice of default under Your Lease.

S. Unauthorized Closure. Your Franchise Business is closed for a period of 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:

T. Other Breaches. Except as otherwise provided herein, You fail to comply with any other provision of this Agreement or the Manuals.

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 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 5 days following Our demand for payment.

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. 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.

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, Including lost profits.

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 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 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 of this Agreement for any reason, You shall immediately cease to be Our Franchisee and must:

12.1.1 Payments Due. Immediately pay for all product purchases, Fees and other obligations owed or accrued to Us, Our affiliates or designated suppliers.

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 advertise or in any way use the System, Intellectual Property, apps, materials, methods, procedures, processes, Marks, 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 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 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. At Your cost, permanently delete electronic copies and return to Us by first class prepaid United States Mail, (Including originals and any copies) physical copies of 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. At Your expense, You will alter, modify and change both the exterior and interior appearance of Your Franchise Business 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 post-term expenses and reasonable attorney's fees incurred by Us to obtain 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 30 calendar days after the Termination of this Agreement.

12.2 Upon Termination of this Agreement, for any reason:

12.2.1 No Compensation. No payment is due to You from Us or any source on account of any goodwill, intangible assets or other equity claimed by You arising from or relating to 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, 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.

12.2.4 Payment to Customers. You must refund all customer gift card and gift certificate amounts as required under Your state's applicable laws. In the event We are required to pay any customer reimbursement amounts, You will be responsible to pay Us the reimbursement amount, plus a Fee in each instance for Our time.

12.3 Survival of Provisions. All of the provisions of this Agreement, which by their terms or implication apply following the Termination of this Agreement, will survive and will apply following Termination of this Agreement, Including Your obligations to indemnify Us and 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 Liquidated Damages. You and We recognize the difficulty of calculating damages caused by lost future royalties but nevertheless recognize and agree that such damages could arise, and You and We hereby agree to the following formula as a compromise on the calculation of such damages. If this Agreement is terminated, other than for non-renewal or mutual termination, in addition to other remedies available under this Agreement, We will be entitled to liquidated damages, not as a penalty, and solely to compensate Us for lost future royalties. These liquidated damages will be equal to the average royalty payment from the previous 12 months multiplied by the lesser of 30 months or the remaining term of this Agreement. This amount will be due in full within 10 days of demand. You and We agree that such amount will be reduced to the present value of such payments as of the date of termination utilizing an interest rate of 5%. This liquidated damages provision only covers Our damages for lost royalties and does not cover any other damages for which We are entitled to pursue and will have available to it all remedies at law and in equity. You agree that this liquidated damages provision does not give us an adequate remedy at law for any other default under, or for the enforcement of, any provision of this Agreement other than lost royalties.

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 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 assets, inventory, equipment, signs, accessories and other personal property relating to Your Franchise Business (collectively "Operating Assets") at the then-existing fair market value of such item or items as of the date of Termination of this Agreement, less any amounts owed to Us, or amounts We may withhold to pay taxing authorities or other debts or encumbrances that may continue with or be attached to the Operating Assets. You hereby grant Us permission to speak directly with Your landlord and other creditors, Including suppliers, banks, the IRS and state agencies (and You will cooperate with Us to facilitate such communication), regarding any loans and/or liens or obligations that would encumber Your Operating Assets. 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 60 days of such Termination ("Option Period") by giving written notice to You of Our intent to exercise Our option to purchase. 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, so long as the Operating Assets have been de-identified as set forth herein.

13.1.1.1 Interim Management During Option Period. We have the right, but not the obligation, to use Your Operating Assets and Premises (if the Lease is still in effect, and in such case, We will obtain this right from the landlord as applicable), and to hire Your employees to operate the Franchise Bad Ass Coffee of Hawaii® Business during the Option Period. You and We understand and agree that We will not be operating Your Franchise Business during this time, but We will be using Your Operating Assets and the Premises to operate Our own, separate Bad Ass Coffee of Hawaii® business ("New Business") in order to keep the business open during the Option Period. We will pay You the fair market rental value for such use of the Operating Assets as agreed, but not exceed fair market rental value, and if We use the Premises, We will pay rent directly to the landlord for Our use of the Premises. You will be required to cooperate to provide Us with all pertinent information regarding Your Franchise Business, as We deem necessary. We will establish Our own bank accounts and other accounts for the New Business during the Option Period. During the Option Period, We will pay all costs and expense of the New Business, and all proceeds of the New Business will belong to Us. We will not assume any of Your debts or obligations and will not be responsible to pay any debts or expenses incurred by Your Franchise Business. You will indemnify and hold Us harmless from and against any and all claims, damages, losses, deficiencies, liabilities and costs, Including attorney's fees, of or related in any way to the Franchise Business prior to Us operating the New Business at the Premises, and We will indemnify and hold You harmless from and against any and all claims, damages, losses, deficiencies, liabilities and costs arising solely from the New Business. If necessary, We have the right to change the locks and exclude You from the Premises during this Option Period.

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.

13.1.4 Assignability. Our rights under this Section 13.1 are assignable by Us at Our discretion.

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, 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 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 will be conditioned upon Our satisfaction with the qualifications set forth in Paragraph 14.3 below of the proposed transferee and its owners and officers. You must provide Us written notice of Your intent to Transfer prior to listing or offering the Franchise Business for sale. 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 Our franchisee, You cannot Transfer any part of this Agreement, Your Franchise Business, 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, financial ability, and other qualifications set forth in Paragraph 14.3 below 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 as set forth in Exhibit "A-3." 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 owners to an entity controlled by and owned not less than 60% by You, Including Your current owners, there will be no Transfer Fee, but You must reimburse Us Our legal and corporate fees incurred related to the Transfer, and We will not be entitled to exercise Our right of first refusal set forth in Section 14.9 below. However, all guarantors to this Agreement unless otherwise released by Us in Our sole discretion. 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 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 to Us 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 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 Exhibit "A-3."

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. 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 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 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. We have the right to off-set any amounts You owe to Us against the purchase price.

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 in this Article 14. However, if there are any material changes in the terms and conditions of the proposed Transfer, 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 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 60 or more consecutive days, or (ii) for a total of 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 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 designated 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 operate Your Franchise Business for a time due to Your death, incapacity, unexcused absence or as otherwise allowed under this Agreement, the provisions of Section 7.6 above will apply.

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 franchises 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. All goodwill belongs to Us. If the purchase option is exercised, You will execute a general release to Us. We will close Our purchase 120 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 solely responsible for the management and control of Your Franchise Business, Including its daily operations, managing and directing employees, contractors, 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 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 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 franchisees operate or otherwise become involved with a similar or 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, contractor, consultant, partner, officer, director or shareholder of any 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 must execute the standard Non-Disclosure and Non-Competition Agreement for Principals attached as Exhibit "A-4" and Your management employees must execute Our Employee Confidential Information Non-Competition Agreement as attached hereto as Exhibit "A-5," and Our Confidential Recipe Agreement attached hereto as Exhibit "A-6." You employees are required to execute the Employee Confidential Information and Non-Competition Agreement attached hereto as Exhibit "A-7." (Although We provide You this form, it is Your responsibility to conform it to the laws and regulations of Your state). A copy of all such agreements must be promptly delivered to Us within one week of hiring of the respective employee.

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 thereafter 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 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 to prevent unauthorized use or disclosure of the Confidential Information, which procedures may be prescribed from time to time by Us.

16.3 Post-Term Covenants. Upon Termination of this Agreement for any reason, and any extensions thereof, or any Transfer, repurchase or Termination of Your rights hereunder and for a continuous, uninterrupted period of 3 years thereafter, neither You, will, directly or indirectly, participate as an owner, operator, shareholder, director, partner, member, manager, consultant, agent, employee, contractor, 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 offering products or services the same as or substantially similar to Your Franchise Business or the System at the time of Termination in any capacity or location within Your Territory or within 10 miles of Your Territory or the territory of any Bad

Ass Coffee of Hawaii® business operation at the time of Termination or Transfer 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 addition to other remedies available to Us, in the event You compete during the term of non-competition, this non-compete time period will be tolled and extended for the period of Your competition, plus an additional 6 months.

16.4 Non-Solicitation of Customers. For 3 years after the Termination of this Agreement, You must not, directly or indirectly, contact any customer of Ours or of another franchisee or of Your former Franchise Business for the purpose of soliciting from any such customer any business that is the same as or substantially similar to a Bad Ass Coffee of Hawaii® business.

16.5 Survival of Covenants. The foregoing covenants will survive the Termination 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 and the existence of any claims You may have against Us, whether or not arising from this Agreement, will not constitute a defense to Our ability to enforce the covenants set forth in this Article.

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 2 years from the date of Termination of this Agreement, to pay a fee of 50% of the royalties and Marketing Fees, which would be payable if the business in question was a 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") arises between Us and You 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 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.

(i) 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 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 or at the discretion of the arbitrator if petitioned by either party. 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 party 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 must 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 party.

(iii) Agreed Limitations. Except for payments owed by one party to the other, or claims attributable to Your underreporting of sales, or claims related to an act of Yours allowing Us to immediately Terminate this Agreement, 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 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 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 30 days of such final award, to a 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. If a party is unable or unwilling to pay its share of the upfront cost of the mediation or arbitration, the other party has the right to cover those costs; however, the prevailing party in arbitration, Including on appeal, 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, 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 : Christian Thompson 57 West 200 South, Ste 350 Salt Lake City, Utah 84101 Email: cthompson@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 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 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 and You. 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. Reimbursement is due within 30 days of written notice after prevailing.

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 entity, 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 provide Us promptly 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 2 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 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.

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. Neither party will be liable by reason of any failure or delay in the performance of such applicable party's obligations hereunder on account of strikes, fires, flood, storm, explosion or other cause which is beyond such party's reasonable control. This Section 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, which are each incorporated by reference herein, 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 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, or 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 as We believe 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 can 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 Our franchise disclosure document ("FDD") for at least 14 calendar days or 10 business days, whichever is applicable in Your state, 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. Unless otherwise agreed to in writing, Our acceptance of any payments due from You does not waive any prior defaults.

20.20 Counterpart and Electronic 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 with full legal force and effect and may be used for all purposes as if it were an original.

20.21 Owners of the Franchise. You represent, and We rely upon Your representations in entering into this Agreement that the individuals in Exhibit "A-2" are the owners of and sole holders of a legal and beneficial interest in Your Franchise Business.

20.22 Drafting. You acknowledge that You have read this Agreement, have had the opportunity to review it with an attorney of your respective choice and have agreed to all of its terms. You agree that the rule of construction that a contract be construed against the drafter will not be applied in interpreting this Agreement.

ARTICLE XXI
DEFINITIONS

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

"Confidential Information" means any information relating to Your Franchise Business, Our products or services, or the development or operation of a Bad Ass Coffee of Hawaii® business 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 and experience in the development and operation of Bad Ass Coffee of Hawaii® businesses; (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® businesses; (v) Our strategic plans and concepts for the development, operation, or expansion of Bad Ass Coffee of Hawaii® businesses; (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. Confidential Information further includes all improvements, enhancements or modifications to the System or any component part of the System whether developed or discovered by Us or You. You acknowledge and agree that prior to the execution of this Agreement, You received information and have met and corresponded with Our principals, agents and/or representatives and that any Confidential Information obtained or received as part of any prior meeting or correspondence is subject to the protection and restrictions of this Agreement.

"Fees" refers to those fees, payments, and costs You are required to pay to Us, Including for royalties, Marketing fund, operational assistance, training, interim management, and similar expenses, as more fully set forth on Exhibit "A-3."

"Gross Sales" Includes the total of all sales of all products, goods or services sold, traded, bartered, or rendered by You and income of every kind and nature Including the value of a trade or other bartering, 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.

"Including" or "Includes" throughout this Agreement will mean, "including but not limited to," "including without limitation," and similar all-inclusive non-exhaustive meanings.

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

"Internet" means any present or future interactive system for electronic communications, using lines, cables, wireless, satellite, radio or any other technology; and which involves one or more of the following: the system or interconnected computer networks that use the internet protocol suite (TCP/IP) or its successor websites or similar remotely-accessible electronic information sources (whether password protected or not); use of domain names, other locators, or emails that use Our Marks; internet phone services; cellular or similar messaging; mobile applications; social networks or Social Media; or wikis, podcasts, online content sharing communities, or blogging.

"Manuals" consists of one or more guides or manuals, Including an operations manual and/or policies and procedures manuals technical bulletins or other written materials as 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.

"Marketing" or "Market" Includes advertising, brand development, promoting and selling products and/or services, market research and other related processes whether utilized or developed now or in the future.

"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 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.

"Operating Account" is defined as that account into which all receipts of Your Franchise Business must be deposited.

"Social Media" means any and all websites, apps, and web or Internet pages for social interaction, business operation, Marketing, and other online information communications, whether now or later developed.

"Termination" or "Terminate" Includes expiration, non-renewal, repurchase of Your rights, non-granting of a Successor Franchise, non-renewal, transfer, or any other means by which this Agreement is no longer in effect and wherein You are no longer a franchisee of the Bad Ass Coffee of Hawaii® System.

"We," "Our(s)" or "Us" Only as applied to paragraphs 2.2.2, 2.2.3, 10.1.1, 10.1.2, and 14.8.7 and Sections 3.1, 3.5, 11.1, and 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, as applicable.

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

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

FRANCHISOR:	FRANCHISEE:
BAD ASS COFFEE COMPANY OF HAWAII, INC.	______________________________
By: ___________________________ (Signature)	By: ___________________________ (Signature)
Name: _________________________	Name: _________________________
Title: _________________________	Title: _________________________
	If the franchisee is not an entity, each person must sign personally.

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 ______________________, 20_____.

By:___________________________________	By:___________________________________
Signature	Signature
Print Name: ______________________	Print Name: ______________________
Ownership: MEMBER/SHAREHOLDER	Ownership: MEMBER/SHAREHOLDER

By:___________________________________	By:___________________________________
Signature	Signature
Print Name: ______________________	Print Name: ______________________
Ownership: MEMBER/SHAREHOLDER	Ownership: MEMBER/SHAREHOLDER

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 ____________________, 20____ ("Franchise Agreement") by Bad Ass Coffee Company of Hawaii, Inc. ("Franchisor"), and for other good and valuable consideration, the undersigned ("Guarantors"), 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.

Guarantors understand 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.

Guarantors agree that any claims, controversy, or dispute of a 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. Guarantors agree that all arbitration and mediation will take place exclusively in Salt Lake City, Utah, and each Guarantor hereby submits to personal jurisdiction in the federal and state courts of Utah.

Guarantors waive the benefit of any statute of limitations or other provision of law which in any way affects or limits the Guarantors' liability under this Guaranty. Guarantors acknowledge and agree no subsequent amendment, modification and/or extension of the Franchise Agreement thereunder will affect 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.

DATED ___________________________, 20___.

"GUARANTOR(S)"

By: _________________________________
(Signature)

Name: ____________________, personally

By: _________________________________
(Signature)

Name: ____________________, personally

EXHIBIT "A-1"
TO THE FRANCHISE AGREEMENT

PROTECTED TERRITORY (MOBILE/FOOD TRUCK FRANCHISES):
____
____
(map may be attached)

APPROVED PREMISES LOCATION:

The Premises are located at (standard or standalone drive-through franchises): ___________________________________, in the city or town of ______________, county of ______________________, state of __________________.

***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.**

____
Franchisee Initial and Date

____
Franchisor 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 Operating Principal 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 Franchisee has executed this Company Representations and Warranties, as of ____________________________, 20___.

FRANCHISEE:

____

By: ______________________________
(Signature)

Name: ____________________________

Title: _____________________________

EXHIBIT "A-3"
TO THE FRANCHISE AGREEMENT

FEE CHART

Type of Fee*	Amount	Notes
Initial Franchise Fee*	$35,000	Payable in one lump sum
Initial Franchise Fee for Additional Franchises Purchased	$25,000	Subject to the requirements set forth in Sec. 5.1.1
Successor Franchise Fee*	$2,500	Prior to entering into successor franchise agreement
Royalty*	6% of Gross Sales	See Article V
Advertising Fee*	2% of Gross Sales	See Article V
Transfer Fee*	$2,500	At time of approved transfer
Late Fees	$25 per day per violation, up to $250 per violation	Plus 18% interest (or applicable state law maximum whichever is less)
Additional Trainees at Initial Training	$500 per person/per day	Plus, Your attendees' travel, lodging, food, and other expenses
Operational Assistance at Your Franchise Business Premises	$500 per person/per day	Plus, travel, lodging, food, and other expenses incurred by Us
Operational Assistance at Our Headquarters	$500 per person/per day	Plus, Your attendees' travel, lodging, food, and other expenses
New Operating Principal or Management Training	$500 per person/per day	Plus, Your attendees' travel, lodging, food, and other expenses
Supplier Evaluation Fee	$500	See Sec. 8.3
Interim Management Fee	$500 per person/per day	Plus, travel, lodging, food, and other expenses incurred by Us
Website Maintenance Fee	$30 monthly	This fee may be updated periodically in Our Manuals.

Note 1. All fees, except those identified with an *, are the current fees and may be changed in the Manuals in Our discretion.

Note 2. Unless otherwise stated in the Franchise Agreement, if a Fee is subject to increase by Us (rather than a third party), the increase will not be more than the equivalent of 10% per year during the term of the Franchise Agreement.

EXHIBIT "A-4"
TO THE FRANCHISE AGREEMENT

PRINCIPAL CONFIDENTIALITY, NON-COMPETITION & NON-SOLICITATION AGREEMENT

This PRINCIPAL CONFIDENTIALITY, NON-COMPETITION & NON-SOLICITATION AGREEMENT (the "Agreement") is entered into and made effective as of the _______________, 20___, by and between **BAD ASS COFFEE COMPANY OF HAWAII, INC.**, dba Bad Ass Coffee of Hawaii, a Utah corporation ("Franchisor") 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 Franchise Business, specific Marks; the use of required equipment, Manuals, recipes, mixes and formulas; processes, services, teaching methods, uniform standards, and know-how; Marketing, operations, training procedures, décor, 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" or 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. <u>Acknowledgment</u>. Principal acknowledges that he or she has obtained or may obtain knowledge of confidential matters, procedures, processes, 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. <u>Non-Disclosure</u>. 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 Confidential 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 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. 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, or principal employees, 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 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 for any reason of the Franchise Agreement, and any extension thereof, or upon any Transfer or repurchase of Principal's rights under the Franchise Agreement, uninterrupted period of 3 years thereafter, neither Principal, nor Principal's family, nor You nor any members, managers, owners, partners, officers, directors, agents, affiliates or principal employees of Principals' company, will, directly or indirectly, participate as an owner, operator, shareholder, director, partner, consultant, agent, member, manager, 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 business or similar business or other business offering products or services the same as or substantially similar to the Franchise Business or the System at the time of Termination or Transfer in any capacity or location within the Territory or within 10 miles of Territory or the territory of any System franchise or Bad Ass Coffee of Hawaii® business operation at the time of Termination of the Franchise Agreement. The ownership of not more than 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 10-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 tolled and extended for the period of Principal's competition plus an additional 6 months.

4. Non-Solicitation of Customers. Principal will not, during the term of the Franchise Agreement and any renewal or Successor Franchise and for 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 Principal or Principals' company and the customer, Franchisor or Franchisor's affiliate and the customer. All Customer Data belongs to Franchisor.

5. Return of Materials. Upon the Termination of the Franchise Agreement, or Principal's disassociation from the franchise entity, 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® Manuals and any and all recipes, mixes, books, customer lists, confidential information, vendor lists, records, data, Manuals, designs, photographs, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, and documents, property or other Confidential Information relating to the System.

6. Irreparable Harm. Principal hereby acknowledges and agrees that any breach by him or her of any portion of Sections 1 through 5 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 5 above, inclusive, without proof of actual damages that have been or may be caused to Franchisor by such breach. Additionally, Principal agrees that the existence of any claims Principal may have against Franchisor, whether or not arising from this Agreement of the Franchise Agreement, will not constitute a defense to Franchisor's ability to enforce the covenants set forth in this Agreement.

7. 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.

8. 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, Principal consents to the jurisdiction of the courts of record in the State of Utah and agrees that proper jurisdiction and venue for all dispute resolution will be exclusively in the state and federal courts of Salt Lake County, State of Utah.

9. 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.

10. 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.

11. Survival of Covenants. All covenants made in this Agreement by Principal will survive the Termination of this Agreement or the Franchise Agreement or Principal's disassociation with the Franchise Business or the System in any way.

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

13. 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.

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)	By: ___________________________ (Signature)
Name: _________________________	Name: _________________________
Title: __________________________	Title: __________________________

EXHIBIT "A-5"
TO THE FRANCHISE AGREEMENT

MANAGEMENT EMPLOYEE CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

THIS MANAGEMENT EMPLOYEE CONFIDENTIALITY AND NON-COMPETITION AGREEMENT is entered into as 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 to Franchisee or Franchisor, including recipes, mixes, techniques, store guide, methods, standards, products, merchandising, marketing, sale of products and services, specifications, suppliers, 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.

3. Non-Competition. Employee will not, during the course of his or her employment by Franchisee, and for 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 or become an owner, officer, director, shareholder, partner, associate, employee, agent, representative or consultant in any business offering or selling products or services the same of substantially 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 3-mile radius of Franchisee's place of business or within a 3-mile radius of any Franchisor, franchisee, or similar business operation, or that of its parent, subsidiary, or affiliate, at the time of Employee's termination of employment. The ownership of not more than 2% of the voting stock of a publicly held corporation will not be considered a violation of the foregoing provision.

4. Non-Solicitation of Customers. Employee will not, during the course of his or her employment and for 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.

5. 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 manuals or 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 or the System.

6. Irreparable Harm. Employee hereby acknowledges and agrees that any breach by him or her of any portion of Sections 1 through 5 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 5 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.

7. 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.

8. 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.

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

10. 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.

11. 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.

12. 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:	MANAGEMENT EMPLOYEE:
______________________________	______________________________
By: __________________________ (Signature)	By: __________________________ (Signature)
Name: ________________________	Name: ________________________
Title: _________________________	Title: _________________________

EXHIBIT "A-6"
PRINCIPAL CONFIDENTIAL RECIPE AGREEMENT

This PRINCIPAL CONFIDENTIAL RECIPE AGREEMENT (the "Agreement") is entered into and made effective as of __________________________ 20___, by and between **BAD ASS COFFEE COMPANY OF HAWAII, INC.,** dba Bad Ass Coffee of Hawaii, a Utah limited liability company ("Franchisor") and the undersigned ("Recipient").

R E C I T A L S:

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. <u>Acknowledgement</u>. 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. <u>Non-Disclosure</u>. 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 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. <u>No Reverse Engineering</u>. 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 any portion 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.

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-7"
TO THE FRANCHISE AGREEMENT

EMPLOYEE CONFIDENTIALITYAGREEMENT

This EMPLOYEE CONFIDENTIALITY AGREEMENT is entered into as of ___________________________, 20__, between ____________________, LLC/Inc. ("Franchisee") and ("Employee"), residing at ____
____[City]
[State] [Zip Code]

WHEREAS, **Bad Ass Coffee Company of Hawaii, Inc.**, dba Bad Ass Coffee of Hawaii, a Utah corporation ("BACH"), has developed confidential and proprietary mixes, recipes, spices, processes, methods and formulas for use in 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, Franchisee is the holder of a BACH franchise ("BACH Franchise") and as such is the beneficiary of certain confidential and proprietary information including without limitations, Recipes, trademarks, service marks, methods, systems, and procedures (collectively the "Proprietary Information") of BACH; 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 Proprietary Information; and

WHEREAS, Employee recognizes the value and confidentiality of the Proprietary Information, and the importance of keeping the Proprietary Information 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 BACH 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 profitability operate its BACH Franchise. Employee further acknowledges that such Proprietary 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 or at any time thereafter, directly or indirectly, use, or disclose to any third party, or authorize any third party to use any portion of the Proprietary Information 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 all or any part of the Proprietary Information at any time.

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 Confidentiality 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 or any of the Proprietary Information. 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 Proprietary Information, and to cooperate with Franchisee and BACH to the extent Franchisee is obligated to cooperate with BACH's attempts to enforce its rights in and to the Proprietary Information.

5. Limited Use. Employee must limit his/her use of the Proprietary Information 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 Proprietary Information (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, the Proprietary Information Including any Recipe book(s).

7. Irreparable Harm. Employee hereby acknowledges and agrees that any breach by him or her of any portion of Sections 1 through 6 above, inclusive, will cause damage to Franchisee and BACH 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 BACH, 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.

12. 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 proceeding.

13. 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.

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

[Signatures on Following Page]

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)	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-8"
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 agrees to provide Franchisor with written notice of any breach of the Lease Agreement that Landlord is required to provide the Lessee. Further, Landlord agrees it will not take any action to terminate said Lease Agreement without first giving the Franchisor 30 days' prior written notice of such breach and an opportunity, but not the obligation, to cure said breach within such notice period.

Landlord agrees to provide Franchisor with all information relating to amounts owing, settlement agreements, and all matters related to the Lease Agreement within 5 days of written request from Franchisor.

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, within 90 days after termination of the Lease Agreement, or franchise agreement to take possession of the premises and to 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.

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: Bad Ass Coffee Company of Hawaii, Inc., 155 West Malvern Avenue, Salt Lake City, Utah 84415.

Dated ________________________ 20___.

Landlord:
By: _________________________
Its: __________________________
Print Name: ___________________

Contact person for Landlord authorized to act on behalf of the Landlord:
____________________________ (Name)
____________________________ (Phone)
____________________________ (Email)
____
____________________________ (Address)

EXHIBIT "A-9"
TO FRANCHISE AGREEMENT

AUTHORIZATION AGREEMENT FOR DIRECT PAYMENTS (ACH DEBITS)

Business Name: ______________________________

I (We) hereby authorize Bad Ass Coffee Company of Hawaii, Inc. hereinafter called ("Company"), to initiate debit entries to my (our) ☐ checking account/ ☐ savings account (select one) indicated below at the depository financial institution named below, hereinafter called ("Depository"), and to debit the same to such account. I (We) acknowledge that the origination of ACH transactions to my (our) account must comply with the provisions of United States law.

Depository Name: ______________________________ Branch: ________________________

City: ____________________________ State: _________________ Zip Code: ___________

Routing Number: ___________________________ Account Number: __________________

This authorization is to remain in full force and effect until Company has received written notification from me (or either of us) of its termination in such time and in such manner as to afford Company and Depository a reasonable opportunity to act on it.

Name(s): __________________________________
(please print)

Title: ____________________________

Signature: ____________________________________ Date: __________________________

NOTE: ALL WRITTEN DEBIT AUTHORIZATIONS <u>MUST</u> PROVIDE THAT THE RECEIVER MAY REVOKE THE AUTHORIZATION ONLY BY NOTIFYING THE ORIGINATOR IN THE MANNER SPECIFIED IN THE AUTHORIZATION.

EXHIBIT "A-10"
TO FRANCHISE AGREEMENT

MOBILE/FOOD TRUCK ADDENDUM TO FRANCHISE AGREEMENT
BY AND BETWEEN

BAD ASS COFFEE COMPANY OF HAWAII, INC.
AND
____

THIS ADDENDUM TO FRANCHISE AGREEMENT ("Addendum") is entered into by and between BAD ASS COFFEE COMPANY OF HAWAII, INC., A UTAH CORPORATION ("Franchisor," "We" or "Us") and _________________________________ ("Franchisee," "You" or "Your").

R E C I T A L S:

WHEREAS, Franchisee and Franchisor have entered into a franchise agreement dated _________________, 20___ ("Franchise Agreement"), which was signed contemporaneously with this Addendum;

WHEREAS, Franchisee has purchased a mobile/food truck franchise, and the parties intend for this Addendum to add clarity to the Franchise Agreement; and

WHEREAS, Franchisor and Franchisee have agreed to make revisions to or otherwise amend the Franchise Agreement as set forth in this Addendum.

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," "Sections" and "Paragraphs" shall refer to articles, sections 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. General Provisions. References to a real estate location or real property or "Premises" in the Franchise Agreement will refer to Your mobile food truck unit and not the locations where the mobile food truck unit will operate, and references to the lease or "Lease" in the Franchise Agreement will mean the lease of Your mobile food truck, if any, and the term "landlord" will mean the leaseholder of the mobile food truck, if applicable. Additionally, there may be other language in the Franchise Agreement referring to items that may only apply to physical locations such as furniture and physical address of the Franchise Business. Such items may be disregarded if they do not apply to Your mobile food truck.

1. Section 1.1.1 is hereby amended in its entirety as follows:

1.1.1 <u>Non-Exclusive Territory</u>. Your Territory is non-protected. You do not receive a certain protected area radius from which to operate, and We have the right to reasonably operate and/or sell additional franchises (traditional Bad Ass Coffee of Hawaii® franchise units, standalone drive-through only franchises and other food truck franchises) in Your Territory during the term of this Agreement.

2. Section 1.1.2 is hereby amended in its entirety as follows:

1.1.2 Territory Limitations. You can operate at any location within Your Territory, so long as permitted by local law and ordinance and so long as such operation does not violate any other provision of this Agreement. For example, see Section 1.1.3. You must obtain Our prior written approval to operate outside of Your Territory, which approval We may withhold in Our sole discretion. Any operation of Your franchise outside of Your Territory must not violate any other provision of this Agreement. Additionally, We reserve the right to revoke previously granted approval to operate outside of Your Territory upon 15-days' notice to You.

3. Section 4.1.1 of the Franchise Agreement is omitted in its entirety.

4. Sections 4.2 and 4.3 of the Franchise Agreement are hereby amended in part to state that Your mobile food truck must be in operation and opened for business within 120 days of signing the Franchise Agreement.

5. Section 4.2.1 of the Franchise Agreement is amended in its entirety as follows:

4.2.1 Food Truck Design. You are required to design and wrap Your mobile food truck in accordance with Our specifications. We must approve of the mobile food truck before You purchase it, and We must approve the vehicle wrap vendor and the design of the wrap before it is ordered. The layout, design and décor of the inside of Your mobile food truck must also be done according to Our specifications and designs.

6. Section 4.6 of the Franchise Agreement is amended to provide that You may not move Your Territory without Our prior written permission, which approval may be withheld in Our sole discretion.

7. Section 6.1.3 of the Franchise Agreement is amended in its entirety as follows:

6.1.3 Signage. The outside wrap of Your food truck and the inside must display the Bad Ass Coffee of Hawaii® logo according to Our specifications.

8. Our right to purchase the assets of Your business as set forth in Section 13.1.1 of the Franchise Agreement Includes Your food truck, and the right to use the assets of Your business during the Option Period as set forth in Section 13.1.1.1, Including the ability to operate Your food truck during that time.

9. Miscellaneous.

a. Controlling Document. To the extent this Addendum shall be deemed inconsistent with any terms or conditions of the Franchise Agreement or Exhibits or attachments thereto, the terms of this Addendum shall supersede and control.

b. Franchise Agreement. Except as expressly amended or modified herein, all terms, provisions and conditions and personal guarantees (which personal guarantees shall apply to this Addendum as well) of the Franchise Agreement are hereby ratified and shall remain in full force and effect.

c. Counterparts. This Addendum 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.

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 hereof.

Dated this ______ day of ________________ 20___.

FRANCHISOR:	**FRANCHISEE:**
BAD ASS COFFEE COMPANY OF HAWAII, INC.	__________________________________
By: ______________________________	By: _______________________________
Title: _____________________________	Title: _____________________________

EXHIBIT “B”
TO THE FRANCHISE DISCLOSURE DOCUMENT

STATEMENT OF PROSPECTIVE FRANCHISEE

BAD ASS COFFEE COMPANY OF HAWAII, INC.
STATEMENT OF PROSPECTIVE FRANCHISEE(S)

NOTE: Please complete in the handwriting of Prospective Franchisee(s). If more than one person is a part of the franchisee, all must initial and sign.

Prospective Franchisee(s), ____________________________**LLC/INC.** and ______________________ (individual name) and ______________________ (individual name) (collectively also called "We," "Us," "Our" or "Prospective Franchisee" in this document), and **BAD ASS COFFEE COMPANY OF HAWAII, INC.** ("Franchisor") each have an interest in making sure that no misunderstandings exist between them, and to verify that no violations of law might have occurred, and understanding that the Franchisor is relying on Our statements, We represent as follows:

A.	**The following dates and information are true and correct:**	**Initials**
	1. The date on which We received the Franchise Disclosure Document for the Bad Ass Coffee of Hawaii® Franchise was _____________.	_______
	2. The date of the first face-to-face meeting with any person to discuss the purchase of a Bad Ass Coffee of Hawaii® Franchise was _____________.	_______
	3. The date when We first received a copy of the Franchise Agreement and all other documents We later signed was _____________.	_______
	4. We negotiated the following documents with the Franchisor: ____ ____	_______
	5. The date when We received a fully completed (ready for signatures) copy of the Franchise Agreement and other documents We later signed was _______________.	_______
	6. The earliest date on which We signed the Franchise Agreement or any other biding document was ___________.	_______
	7. The earliest date on which We delivered cash, check or other consideration to the Franchisor, or any other person or company was _______________.	_______

B. Representations and Other Matters:

1. No oral, written, visual or other promises, agreements, representations, understandings, "side deals," or otherwise of any type, which expanded upon or were inconsistent with the Disclosure Document, the Franchise Agreement or any other written documents, have been made to or with Us with respect to any matter, nor have We relied in any way on any such, except as expressly set forth in the Franchise Agreement or a written Addendum/Appendix thereto to be signed by Us and the President of the Franchisor, except as follows:

   ____ ________

   (If none, write NONE in your own handwriting)

2. No oral, written, visual or other claim, guarantee or representation of any sort, has been made to Us which stated or suggested any specific level or range of actual or potential sales, income, expenses, profits, cash flow, by any person or entity, nor have We relied in any way on any such, except for information (if any) expressly set forth in Item 19 of the Franchisor's Disclosure Document (or an exhibit referred to therein), except as follows:

   ____ ________

   (If none, write NONE in your own handwriting)

3. We are not relying on the Franchisor or any other entity to provide or arrange financing of any type, nor have We relied in any way on such, except as expressly set forth in the Franchise Agreement or a written Addendum/Appendix thereto to be signed by Us and the President of the Franchisor, except as follows:

   ____ ________

   (If none, write NONE in your own handwriting)

4. We constitute all of the executive officers, partners, shareholders, investors and/or principals of the Prospective Franchisee and each of Us individually has received the Franchise Disclosure Document and all exhibits and has carefully read, discussed, understands and agrees to the Franchise Agreement, each written Addendum/Appendix and any Personal Guarantees. ________

5. We have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, prior to signing any binding documents or paying any sums,

and the Franchisor has strongly recommended that We obtain such independent professional advice. ________

6. We confirm that We have had the opportunity to discuss the proposed purchase of, or investment in, a/an ______________ ™/® Franchise with existing ______________ ™/® franchisees. ________

7. We understand that entry into any business venture necessarily involves some unavoidable risk of loss or failure and that the ______________ ™/® Franchise is a speculative investment. Investment beyond that outlined in the Disclosure Document may be required to succeed and there exists no guaranty against possible loss or failure and the most important factors in our success are Our personal business, marketing, sales, management, judgment and other skills. ________

   If there are any matters inconsistent with the statements in this document, or if anyone has suggested that We sign this document without all of its statements being true, correct and complete, We will (a) **immediately** inform the Franchisor's President; and (b) make a written statement regarding such next to my signature below so that the Franchisor may address and resolve any such issue(s) at this time before going forward. ________

   We understand and agree that the Franchisor does not furnish or endorse or authorize its salespersons or others to furnish or endorse, any oral, written or other information concerning actual or potential sales, income, expenses, profits, cash flow, or otherwise, that any such information not expressly set forth in Item 19 of the Franchisor's Disclosure Document (or in a formal exhibit to the Disclosure Document) is not reliable and that We have not relied on such information and that no such results can be assured or estimated and that actual results will vary from unit to unit and may vary significantly. ________

8. We acknowledge that the law governing the franchise relationship is Utah law and that the exclusive venue for any dispute will be in Salt Lake City, Utah.

9. We are also a franchisee in the following system(s):
   ____
   (write none if not a franchisee for another franchise system)

That franchise was first purchased on ______________. _______

We understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete.

DATED ___________________, 20___.

PROSPECTIVE FRANCHISEE(S):

______________________, LLC/ Inc.

By: ___________________________________
(Signature)

____
Print Name

____
Title

INDIVIDUALS:

By: ___________________________________
(Signature)

____
Print Name

____
Title

By: ___________________________________
(Signature)

____
Print Name

____
Title

EXHIBIT "C"
TO THE FRANCHISE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

AUDITED FINANCIAL STATEMENTS
December 31, 2018
December 31, 2017
December 31, 2016

BAD ASS COFFEE COMPANY OF HAWAII, INC.

Financial Statements

December 31, 2018 and 2017
(With Independent Accountant's Report Thereon)

JOSEPH B GLASS & ASSOCIATES
Certified Public Accountant

Joseph B Glass & Associates
Certified Public Accountant
190 South 200 East
Blanding, Utah 84511
Tel. 801-414-3325 Fax. 801-304-0475
e-mail address: joebglasscpa@msn.com

Independent Auditor's Report

The Board of Directors
Bad Ass Coffee Company of Hawaii, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Bad Ass Coffee Company of Hawaii, Inc., which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of net loss and comprehensive loss, stockholders' deficit, and cash-flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bad Ass Coffee Company of Hawaii, Inc. as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America,

Joseph B Glass & Associates

Joseph B Glass & Associates

Blanding, Utah

April 8, 2019

BAD ASS COFFEE COMPANY OF HAWAII, INC.
Balance Sheets
December 31, 2018 and 2017

Assets		2018	2017
Current assets:			
Cash and cash equivalents	$	34,012	206,251
Accounts and notes receivable, net of allowance for doubtful accounts of $5,151 at December 31, 2018 and 2017		120,979	19,665
Other current assets		4,426	2,926
Total current assets		159,417	228,842
Office furniture and equipment (net of accumulated depreciation of $25,463 at December 31, 2018 and 2017)		-	-
Trade notes receivable - long-term		23,095	-
Advances to affiliates		232,758	197,269
Trademark (net of accumulated amortization of $250,974 at December 31, 2018 and 2017)		90,026	90,026
	$	505,296	516,137
Liabilities and Stockholders' Deficit			
Current liabilities			
Current portion of long-term debt	$	-	15,716
Notes payable		73,750	73,750
Accounts payable and accrued expenses		401,339	155,996
Deferred advertising revenue		470,234	478,088
Income Tax Current		100	100
Total current liabilities		945,423	723,650
Long-term debt (excluding current portion)		-	29,470
Stockholders' deficit:			
Common stock, No par value, Authorized 10,000 shares issued 2,500 shares at December 31, 2018 and 2017		25,000	25,000
Additional paid-in capital		902,500	902,500
Accumulated deficit		(1,367,627)	(1,164,483)
Total stockholders' deficit		(440,127)	(236,983)
Commitments and contingencies		-	-
	$	505,296	516,137

See accompanying notes to financial statements.

BAD ASS COFFEE COMPANY OF HAWAII, INC.

Statements of Net Loss and Comprehensive Loss

Years ended December 31, 2018 and 2017

		2018	2017
Revenue:			
Franchise sales	$	182,724	2,000
Royalties		454,893	403,934
Other		18,412	-
Total revenue		656,029	405,934
Less direct franchise costs		304,389	122,921
Gross profit		351,640	283,013
Less general and administrative expenses		554,367	337,340
Net loss before income taxes and other expense		(202,727)	(54,327)
Other income (expense):			
Interest income		2,126	-
Interest expense		(2,443)	(2,923)
Net loss before income taxes		(203,044)	(57,250)
Income tax expense		(100)	(100)
Net loss		(203,144)	(57,350)
Other comprehensive income		-	-
Total comprehensive loss	$	(203,144)	(57,350)

See accompanying notes to financial statements.

BAD ASS COFFEE COMPANY OF HAWAII, INC.

Statements of Stockholders' Deficit

Years ended December 31, 2018 and 2017

	Common shares		Common stock (No Par)	Additional paid-in capital	Accumulated deficit	Total stockholders' deficit
Balances at December 31, 2016	2,500	$	25,000	902,500	(1,107,133)	(179,633)
Net loss 2017	-		-	-	(57,350)	(57,350)
Balances at December 31, 2017	2,500	$	25,000	902,500	(1,164,483)	(236,983)
Net loss 2018	-		-	-	(203,144)	(203,144)
Balances at December 31, 2018	2,500	$	25,000	902,500	(1,367,627)	(440,127)

See accompanying notes to financial statements.

BAD ASS COFFEE COMPANY OF HAWAII, INC.
Statements of Cash Flows
Years ended December 31, 2018 and 2017

		2018	2017
Cash flows from operating activities:			
Net loss	$	(203,144)	(57,350)
Adjustments to reconcile net income to net cash provided by operating activities:			
Net change in current assets and liabilities:			
Forgiveness of debt from affiliated companies		136,085	-
Franchise and royalty receivables		(124,409)	(4,014)
Other current assets		(1,500)	(250)
Accounts payable and accrued expenses		245,343	27,719
Deferred advertising fees		(7,854)	68,373
Net cash provided by operating activities		44,521	34,478
Cash flows from investing activities:			
Increase in advances to affiliates		(171,574)	(97,269)
Net cash used by investing activities		(171,574)	(97,269)
Cash flows from financing activities			
Repayment of note payable		(45,186)	(15,078)
Net cash used by financing activities		(45,186)	(15,078)
Net increase in cash		(172,239)	(77,869)
Cash at beginning of year		206,251	284,120
Cash at end of year	$	34,012	206,251
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	$	2,443	2,923
Income taxes	$	100	100

See accompanying notes to financial statements.

BAD ASS COFFEE COMPANY OF HAWAII, INC.

Notes To Financial Statements
December 31, 2018 and 2017

(1) Organization, Line of Business, and Summary of Significant Accounting Policies

(a) Organization and Line of Business

Bad Ass Coffee Company of Hawaii, Inc. (Company) was incorporated in the state of Utah. On December 19, 1997 a total of 2,500 shares of the Company's common stock was issued in exchange for $25,000 cash.

The Company was formed to develop and engage in all phases of the business of franchising and marketing "Bad Ass Coffee Company" stores and the "Bad Ass Coffee" product and related activities.

(b) Income Taxes

The Company accounts for income taxes in accordance with generally accepted accounting standards. These standards require asset and liability accounting for income taxes based upon events recognized in the financial statements as measured by provisions of enacted tax laws. Under this method, deferred tax assets and liabilities are determined based on the differences between financial statement and tax bases of assets and liabilities using enacted rates in effect for the year in which the differences are expected to reverse.

(c) Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

(d) Office Furniture and Equipment

Office furniture and equipment is stated at cost. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets of five years.

(e) Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

(1) Organization, Line of Business, and Summary of Significant Accounting Policies (continued)

(f) Trade Accounts Receivable

Trade accounts receivable is recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends. Uncollectible loans and accounts receivable are charged off after all reasonable collection efforts have been utilized. Accounts receivable are deemed to be past due when payments are more than 30 days late.

(g) Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. There were no differences between the net loss for the years ended December 31, 2018 and 2017 and comprehensive loss for the same periods.

(2) Franchise Revenue

During 2018 and 2017 the Company recorded net revenue of $182,724 and $2,000 respectively from the sales of franchises.

In addition to initial franchises fees, franchisees are required to pay from 5% to 6% of future sales as continuing franchise fees or royalties and 2% as advertising fees. During 2018 and 2017 the Company recorded $577,016 and $508,733 as royalty and advertising fees. Of these totals $122,123 and $104,799 representing advertising fees were offset against advertising expense on the accompanying statement of operations for the years ended December 31, 2018 and 2017. Advertising fees in excess of advertising expense are included in deferred advertising revenue on the accompanying balance sheets at December 31, 2018 and 2017.

As of December 31, 2018, the Company had approximately 23 individual franchise outlets in operation.

(3) Trademark

During 2002 the Company settled certain litigation in defense of its trademark. As a result of this settlement, costs totaling $300,000 were added to the original cost of the trademark. This addition amount represented settlement costs of $100,000 and litigation costs of $200,000. The trademark cost was being amortized on a straight-line basis over a period of 15 years through December 31, 2009.

(3) Trademark (continued)

In 2010 Management of the Company determined that the trademark had an unlimited life and thus, in accordance with generally accepted accounting standards, discontinued amortization. The Company reviews its investment in the Trademark for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the Trademark to the future net undiscounted cash flow expected to be generated by the Trademark including collections of Franchisee fees and royalties. If the Trademark is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the Trademark exceeds its fair value.

Accordingly, Management has evaluated the net unamortized trademark amount of $90,026 included on the accompanying balance sheet at December 31, 2018 for impairment and determined that no impairment existed at that date.

(4) Income Taxes

Income tax expense for the years ended December 31, 2018 and 2017 consists of the following:

		Federal	State	Total
December 31, 2018:				
Current	$	-	(100)	(100)
Deferred		-	-	-
	$	-	(100)	(100)

		Federal	State	Total
December 31, 2017:				
Current	$	-	(100)	(100)
Deferred		-	-	-
	$	-	(100)	(100)

The tax effect of temporary differences giving rise to deferred tax liabilities result from use of the cash basis method of accounting for income tax purposes versus the accrual basis of accounting for financial accounting purposes and differences between depreciation lives used for income tax purposes versus lives used for financial accounting purposes.

Income tax expense differs from the "expected" tax expense computed by applying the applicable U.S. Federal corporate income tax rate of 21% and an estimated state tax of 5% primarily as a result of recognition of a valuation allowances recorded which

(4) Income Taxes (continued)

reduced the income tax benefit of deferred income tax assets to zero.

At December 31, 2018 and 2017 deferred tax assets had been reduced by a valuation allowance of $300,000 and $219,000 respectively.

At December 31, 2018 the Company has a net operating loss carryforward for income tax purposes of approximately $350,000 which expires in 2029.

Income tax returns filed for the years ended December 31, 2015 through 2017 are subject to examination by the Internal Revenue Service in the United States of America.

(5) Related Party Transactions

During the years ended December 31, 2018 and 2017 the Company paid a total of $20,000 and $50,000 respectively to an officer and director of the Company as reimbursement for consulting services provided to the Company.

At December 31, 2017 and 2016 the Company had advanced $232,757 and $197,268 respectively to affiliated companies without interest. During the year ended December 31, 2018 the Company forgave debt from an affiliated Company totaling $136,085.

During the years ended December 31, 2018 and 2017 the company paid rent for office and warehouse space totaling $13,440 and $96,000 respectively in each year. Rental amounts are charged on a discretionary basis and paid month to month.

During the year ended December 31, 2018 the Company incurred a total expense of $134,038 to entities controlled by of officer of the Company for advertising and management fees. Of this amount $50,502 was unpaid at December 31, 2018 and is included in accounts payable on the accompanying balance at that date.

(6) Contingencies

Litigation was filed in 2009 by a former area developer against the Company, in the Circuit Court of Tuscaloosa County, Alabama. The litigation was filed for payments on a promissory note Bad Ass Coffee of Hawaii made to the plaintiff pursuant to a mutual termination of the plaintiff's area development agreement. Bad Ass Coffee of Hawaii filed a Motion to Stay and Compel Arbitration which was denied. Bad Ass Coffee of Hawaii filed a counterclaim. The Plaintiff 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

(6) Contingencies (continued)

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. Included on the balance sheet at December 31, 2018 are liability amounts, including the $73,750 in notes payable, and related accrued legal fees, approximating the judgment awarded.

In 2013 the Company filed suit against a former area developer which sought to invalidate a license agreement that purported to grant the Defendants worldwide rights to all of the Company's franchises and related franchise rights except in the United States, Malaysia, and Japan. The trial court held that the license agreement is enforceable and binding on the parties. The Company then terminated the license agreement and the Defendants countersued counter sued in the amount of $500,000. In 2018 a jury returned a verdict of $100,000 against the Company. The Defendant has also filed to recover attorney's fees in the amount of $230,404.41. The motion for fees is pending and has not been ruled upon. The decision has been appealed by the Company. No dates for oral arguments before the Utah Court of Appeals have been yet set.

(7) Advertising and Promotion

During the years ended December 31, 2018 and 2017 the Company incurred a total of $129,977 and $36,426 as advertising expense, before reimbursement by franchisees. Advertising costs are charged against deferred advertising revenue.

(8) Concentrations of Credit

The Company's customers consist primarily of individuals living in the United States and Canada. Two sales accounts for approximately 24% of the total revenue of the Company during 2018. No other customer accounted for more than 5% of the Company's revenue for the years ended December 31, 2018 and 2017.

(9) Sale of Product to Franchisees (unaudited)

During the years ended December 31, 2018 and 2017 Bad Ass Coffee Distributors Inc., an affiliate of the Company, sold approximately $606,000 and $569,000 respectively of coffee and related, products to franchisees of the Company.

(10) Long-term Debt

During 2018 long-term debt was repaid in full with interest. A recap of that debt as of December 31, 2017 is as follows:

Notes payable to former franchisee for the repurchase of franchises. Unsecured with interest at variable rates due with periodic payments of interest and principal through June 2019.	$ 45,186
Less current portion	15,716
	$ 29,470

The loan agreement also provides that the Company will pay $10,000 to the Lender as additional compensation for every original franchise sale. No amounts were due at December 31, 2018 and 2017 under this provision.

(11) Subsequent events

Management of the Company has evaluated any subsequent events that may require disclosure in these financial statement through April 8, 2019 the date that the financial statements were issued.

BAD ASS COFFEE COMPANY OF HAWAII, INC.

Financial Statements

December 31, 2017 and 2016
(With Independent Accountant's Report Thereon)

JOSEPH B GLASS & ASSOCIATES
Certified Public Accountant

Joseph B Glass & Associates
Certified Public Accountant
821 Marion Village Rd.
Sandy, Utah 84094
Tel. 801-414-3325 Fax. 801-304-0475
e-mail address: joebglasscpa@msn.com

Independent Auditor's Report

The Board of Directors
Bad Ass Coffee Company of Hawaii, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Bad Ass Coffee Company of Hawaii, Inc., which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of net loss and comprehensive loss, stockholders' deficit, and cash-flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bad Ass Coffee Company of Hawaii, Inc. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America,

Joseph B Glass & associates

Joseph B Glass & Associates

Sandy, Utah

February 27, 2018

BAD ASS COFFEE COMPANY OF HAWAII, INC.

Balance Sheets

December 31, 2017 and 2016

Assets		2017	2016
Current assets:			
Cash and cash equivalents	$	206,251	284,120
Accounts receivable, net of allowance for doubtful account of $5,151 and $5,497 at December 31, 2017 and 2016 respectively		19,665	15,651
Other current assets		2,926	2,676
Total current assets		228,842	302,447
Office furniture and equipment (net of accumulated depreciation of $25,463 at December 31, 2017 and 2016)		-	-
Advances to affiliates		197,269	100,000
Trademark (net of accumulated amortization of $250,974 at December 31, 2017 and 2016)		90,026	90,026
	$	516,137	492,473

Liabilities and Stockholders' Deficit		2017	2016
Current liabilities			
Current portion of long-term debt	$	15,716	14,786
Notes payable		73,750	73,750
Accounts payable and accrued expenses		155,996	128,277
Deferred advertising revenue		478,088	409,715
Income Tax Current		100	100
Total current liabilities		723,650	626,628
Long-term debt (excluding current portion)		29,470	45,478
Stockholders' deficit:			
Common stock, No par value, Authorized 10,000 shares issued 2,500 shares at December 31, 2017 and 2016		25,000	25,000
Additional paid-in capital		902,500	902,500
Accumulated deficit		(1,164,483)	(1,107,133)
Total stockholders' deficit		(236,983)	(179,633)
Commitments and contingencies		-	-
	$	516,137	492,473

See accompanying notes to financial statements.

BAD ASS COFFEE COMPANY OF HAWAII, INC.
Statements of Net Loss and Comprehensive Loss
Years ended December 31, 2017 and 2016

	2017	2016
Revenue:		
Franchise sales	$ 2,000	-
Royalties	403,934	434,148
Total revenue	405,934	434,148
Less direct franchise costs	122,921	117,770
Gross profit	283,013	316,378
Less general and administrative expenses	337,340	316,440
Net loss before income taxes and other expense	(54,327)	(62)
Other income (expense):		
Interest income	-	339
Interest expense	(2,923)	(4,518)
Net loss before income taxes	(57,250)	(4,241)
Income tax expense	(100)	(100)
Net loss	(57,350)	(4,341)
Other comprehensive income	-	-
Total comprehensive loss	$ (57,350)	(4,341)

See accompanying notes to financial statements.

BAD ASS COFFEE COMPANY OF HAWAII, INC.
Statements of Stockholders' Deficit
Years ended December 31, 2017 and 2016

	Common shares		Common stock (No Par)	Additional paid-in capital	Accumulated deficit	Total stockholders' deficit
Balances at December 31, 2015	2,500	$	25,000	902,500	(1,102,792)	(175,292)
Net loss 2016	-		-	-	(4,341)	(4,341)
Balances at December 31, 2016	2,500	$	25,000	902,500	(1,107,133)	(179,633)
Net loss 2017	-		-	-	(57,350)	(57,350)
Balances at December 31, 2017	2,500	$	25,000	902,500	(1,164,483)	(236,983)

See accompanying notes to financial statements.

BAD ASS COFFEE COMPANY OF HAWAII, INC.
Statements of Cash Flows
Years ended December 31, 2017 and 2016

		2017	2016
Cash flows from operating activities:			
Net loss	$	(57,350)	(4,341)
Adjustments to reconcile net income to net cash provided by operating activities:			
Net change in current assets and liabilities:			
Franchise and royalty receivables		(4,014)	(1,646)
Other current assets		(250)	-
Accounts payable and accrued expenses		27,719	(1,294)
Deferred advertising fees		68,373	95,064
Net cash provided by operating activities		34,478	87,783
Cash flows from investing activities:			
Increase in advances to affiliates		(97,269)	(55,000)
Net cash used by investing activities		(97,269)	(55,000)
Cash flows from financing activities			
Repayment of note payable		(15,078)	(13,482)
Net cash used by financing activities		(15,078)	(13,482)
Net increase in cash		(77,869)	19,301
Cash at beginning of year		284,120	264,819
Cash at end of year	$	206,251	284,120
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	$	2,923	4,518
Income taxes	$	100	100

See accompanying notes to financial statements.

(1) Organization, Line of Business, and Summary of Significant Accounting Policies

(a) Organization and Line of Business

Bad Ass Coffee Company of Hawaii, Inc. (Company) was incorporated in the state of Utah. On December 19, 1997 a total of 2,500 shares of the Company's common stock was issued in exchange for $25,000 cash.

The Company was formed to develop and engage in all phases of the business of franchising and marketing "Bad Ass Coffee Company" stores and the "Bad Ass Coffee" product and related activities.

(b) Income Taxes

The Company accounts for income taxes in accordance with generally accepted accounting standards. These standards require asset and liability accounting for income taxes based upon events recognized in the financial statements as measured by provisions of enacted tax laws. Under this method, deferred tax assets and liabilities are determined based on the differences between financial statement and tax bases of assets and liabilities using enacted rates in effect for the year in which the differences are expected to reverse.

(c) Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

(d) Office Furniture and Equipment

Office furniture and equipment is stated at cost. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets of five years.

(e) Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

(1) Organization, Line of Business, and Summary of Significant Accounting Policies (continued)

(f) Trade Accounts Receivable

Trade accounts receivable is recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends. Uncollectible loans and accounts receivable are charged off after all reasonable collection efforts have been utilized. Accounts receivable are deemed to be past due when payments are more than 30 days late.

(g) Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. There were no differences between the net income (loss) for the years ended December 31, 2017 and 2016 and comprehensive income (loss) for the same periods.

(2) Franchise Revenue

During 2017 the Company recorded net revenue of $2,000 respectively from the transfer sales of franchises.

In addition to initial franchises fees, franchisees are required to pay from 5% to 6% of future sales as continuing franchise fees or royalties and 2% as advertising fees. During 2017 and 2016 the Company recorded $508,733 and $547,172 as royalty and advertising fees. Of these totals $104,799 and $113,024 representing advertising fees were offset against advertising expense on the accompanying statement of operations for the years ended December 31, 2017 and 2016. Advertising fees in excess of advertising expense are included in deferred advertising revenue on the accompanying balance sheets at December 31, 2017 and 2016.

As of December 31, 2017 the Company had approximately 24 individual franchise outlets in operation.

(3) Trademark

During 2002 the Company settled certain litigation in defense of its trademark. As a result of this settlement, costs totaling $300,000 were added to the original cost of the trademark. This addition amount represented settlement costs of $100,000 and litigation costs of $200,000. The trademark cost was being amortized on a straight-line basis over a period of 15 years through December 31, 2009.

(3) Trademark (continued)

In 2010 Management of the Company determined that the trademark had an unlimited life and thus, in accordance with generally accepted accounting standards, discontinued amortization. The Company reviews its investment in the Trademark for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the Trademark to the future net undiscounted cash flow expected to be generated by the Trademark including collections of Franchisee fees and royalties. If the Trademark is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the Trademark exceeds its fair value.

Accordingly, Management has evaluated the net unamortized trademark amount of $90,026 included on the accompanying balance sheet at December 31, 2017 for impairment and determined that no impairment existed at that date.

(4) Income Taxes

Income tax expense for the years ended December 31, 2017 and 2016 consists of the following:

		Federal	State	Total
December 31, 2016:				
Current	$	-	(100)	(100)
Deferred		-	-	-
	$	-	(100)	(100)

		Federal	State	Total
December 31, 2015:				
Current	$	-	(100)	(100)
Deferred		-	-	-
	$	-	(100)	(100)

The tax effect of temporary differences giving rise to deferred tax liabilities result from use of the cash basis method of accounting for income tax purposes versus the accrual basis of accounting for financial accounting purposes and differences between depreciation lives used for income tax purposes versus lives used for financial accounting purposes.

Income tax expense differs from the "expected" tax expense computed by applying the applicable U.S. Federal corporate income tax rate of 15% and an estimated state tax of 5% primarily as a result of recognition of a valuation allowances recorded which

(4) Income Taxes (continued)

reduced the income tax benefit of deferred income tax assets to zero.

At December 31, 2017 and 2016 deferred tax assets had been reduced by a valuation allowance of $219,000 and $210,000 respectively.

At December 31, 2017 the Company has a net operating loss carryforward for income tax purposes of approximately $360,000 which expires in 2029.

Income tax returns filed for the years ended December 31, 2014 through 2017 are subject to examination by the Internal Revenue Service in the United States of America.

(5) Related Party Transactions

During the years ended December 31, 2017 and 2016 the Company paid a total of $50,000 and $47,800 respectively to an officer and director of the Company as reimbursement for consulting services provided to the Company.

At December 31, 2017 and 2016 the Company had advanced $197,269 and $100,000 respectively to affiliated companies without interest.

During the years ended December 31, 2017 and 2016 the company paid rent for office and warehouse space totaling $96,000 in each year. Rental amounts are charged on a discretionary basis and paid month to month.

(6) Contingencies

The Company discontinued payment on an obligation for repurchase of a franchise during the year ended December 31, 2009. This was done because of alleged defaults by this franchisee which nullified the Company's obligation to continue repaying the amount. During 2010 the franchisee filed litigation against the Company asserting its right to payment of the obligation totaling approximately $75,000 and damages totaling $2,500,000. The Company then filed counterclaims asserting among other things, trademark infringement, unfair competition, etc. During 2012 a summary judgment was issued by the court in favor of the plaintiff. The Company has appealed this decision. Although the ultimate amount of the judgment is yet to be determined, the Company has recorded an amount equal to approximately $100,000 (including $73,750 in notes payable) representing an estimate of the ultimate amount that could be paid.

(6) Contingencies (continued)
During 2013 the Company filed an action against a franchisee to invalidate its franchise rights due to alleged fraud committed by the franchisee. This action was dismissed by the court but was overturned on appeal. The ultimate effect on the financial statements of this litigation is unknown.

(7) Advertising and Promotion
During the years ended December 31, 2017 and 2016 the Company incurred a total of $36,426 and $17,970 as advertising expense, before reimbursement by franchisees. Advertising costs are charged against deferred advertising revenue.

(8) Concentrations of Credit
The Company's customers consist primarily of individuals living in the United States and Canada. No single customer accounted for more than 5% of the Company's revenue for the years ended December 31, 2017 and 2016.

At December 31, 2016 the Company had a deposit with a financial institution which exceeded the federally insured amount $35,660.

(9) Sale of Product to Franchisees (unaudited)
During the years ended December 31, 2017 and 2016 Bad Ass Coffee Distributors Inc., an affiliate of the Company, sold approximately $569,000 and $642,000 respectively of coffee and related, products to franchisees of the Company.

(10) Long-term Debt
Long-term debt at December 31, 2017 and 2016 consists of the following:

	2017	2016
Notes payable to former franchisee for the repurchase of franchises. Unsecured with interest at variable rates due with periodic payments of interest and principal through June 2019.	$ 45,186	60,264
Less current portion	15,716	14,786
	$ 29,470	45,478

The future maturities of debt under the above obligations due subsequent to December 31, 2017 are as follows:

2018	$ 15,716
2019	29,470
	$ 45,186

(10) Long-term Debt (continued)
The loan agreement also provides that the Company will pay $10,000 to the Lender as additional compensation for every original franchise sale. No amounts were due at December 31, 2017 and 2016 under this provision.

(11) Subsequent events
Management of the Company has evaluated any subsequent events that may require disclosure in these financial statement through February 28, 2018 the date that the financial statements were issue

BAD ASS COFFEE COMPANY OF HAWAII, INC.

Financial Statements

December 31, 2016 and 2015
(With Independent Accountant's Report Thereon)

JOSEPH B GLASS & ASSOCIATES
Certified Public Accountant

Joseph B Glass & Associates
Certified Public Accountant
821 Marion Village Rd.
Sandy, Utah 84094
Tel. 801-414-3325 Fax. 801-304-0475
e-mail address: joebglasscpa@msn.com

Independent Auditor's Report

The Board of Directors
Bad Ass Coffee Company of Hawaii, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Bad Ass Coffee Company of Hawaii, Inc., which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of net income (loss) and comprehensive income (loss), stockholders' deficit, and cash-flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bad Ass Coffee Company of Hawaii, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America,

Joseph B Glass & Associates

Joseph B Glass & Associates

Sandy, Utah

April 5, 2017

BAD ASS COFFEE COMPANY OF HAWAII, INC.
Balance Sheets
December 31, 2016 and 2015

Assets		2016	2015
Current assets:			
Cash and cash equivalents	$	284,120	264,819
Accounts receivable, net of allowance for doubtful account of $5,497 at December 31, 2016 and 2015		15,651	14,005
Other current assets		2,676	2,676
Total current assets		302,447	281,500
Office furniture and equipment (net of accumulated depreciation of $25,463 at December 31, 2016 and 2015)		-	-
Advances to affiliates		100,000	45,000
Trademark (net of accumulated amortization of $250,974 at December 31, 2016 and 2015)		90,026	90,026
	$	492,473	416,526
Liabilities and Stockholders' Deficit			
Current liabilities			
Current portion of long-term debt	$	14,786	13,955
Notes payable		73,750	73,750
Accounts payable and accrued expenses		128,277	129,571
Deferred advertising revenue		409,715	314,651
Income Tax Current		100	100
Total current liabilities		626,628	532,027
Long-term debt (excluding current portion)		45,478	59,791
Stockholders' deficit:			
Common stock, No par value, Authorized 10,000 shares issued 2,500 shares at December 31, 2016 and 2015		25,000	25,000
Additional paid-in capital		902,500	902,500
Accumulated deficit		(1,107,133)	(1,102,792)
Total stockholders' deficit		(179,633)	(175,292)
Commitments and contingencies		-	-
	$	492,473	416,526

See accompanying notes to financial statements.

BAD ASS COFFEE COMPANY OF HAWAII, INC.

Statements of Net Income (Loss) and Comprehensive Income (Loss)

Years ended December 31, 2016 and 2015

		2016	2015
Revenue:			
Franchise sales	$	-	6,000
Royalties		434,148	437,850
Other		-	3,500
Total revenue		434,148	447,350
Less direct franchise costs		117,770	80,233
Gross profit		316,378	367,117
Less general and administrative expenses		316,440	290,204
Net income (loss) before income taxes and other expense		(62)	76,913
Other income (expense):			
Interest income		339	-
Interest expense		(4,518)	(3,891)
Net income (loss) before income taxes		(4,241)	73,022
Income tax expense		(100)	(130)
Net income (loss)		(4,341)	72,892
Other comprehensive income		-	-
Total comprehensive income (loss)	$	(4,341)	72,892

See accompanying notes to financial statements.

BAD ASS COFFEE COMPANY OF HAWAII, INC.
Statements of Stockholders' Deficit
Years ended December 31, 2016 and 2015

	Common shares		Common stock (No Par)	Additional paid-in capital	Accumulated deficit	Total stockholders' deficit
Balances at December 31, 2014	2,500	$	25,000	902,500	(1,175,684)	(248,184)
Net income 2015	-		-	-	72,892	72,892
Balances at December 31, 2015	2,500	$	25,000	902,500	(1,102,792)	(175,292)
Net loss 2016	-		-	-	(4,341)	(4,341)
Balances at December 31, 2016	2,500	$	25,000	902,500	(1,107,133)	(179,633)

See accompanying notes to financial statements.

BAD ASS COFFEE COMPANY OF HAWAII, INC.
Statements of Cash Flows
Years ended December 31, 2016 and 2015

		2016	2015
Cash flows from operating activities:			
Net income (loss)	$	(4,341)	72,892
Adjustments to reconcile net income to net cash provided by operating activities:			
Net change in current assets and liabilities:			
Franchise and royalty receivables		(1,646)	3,566
Accounts payable and accrued expenses		(1,294)	(552)
Deferred advertising fees		95,064	100,603
Net cash provided by operating activities		87,783	176,509
Cash flows from investing activities:			
Increase in advances to affiliates		(55,000)	-
Net cash provided by investing activities		(55,000)	-
Cash flows from financing activities			
Repayment of note payable		(13,482)	(13,561)
Net cash used by financing activities		(13,482)	(13,561)
Net increase in cash		19,301	162,948
Cash at beginning of year		264,819	101,871
Cash at end of year	$	284,120	264,819
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	$	4,518	3,891
Income taxes	$	100	130

See accompanying notes to financial statements.

(1) Organization, Line of Business, and Summary of Significant Accounting Policies

(a) Organization and Line of Business

Bad Ass Coffee Company of Hawaii, Inc. (Company) was incorporated in the state of Utah. On December 19, 1997 a total of 2,500 shares of the Company's common stock was issued in exchange for $25,000 cash.

The Company was formed to develop and engage in all phases of the business of franchising and marketing "Bad Ass Coffee Company" stores and the "Bad Ass Coffee" product and related activities.

(b) Income Taxes

The Company accounts for income taxes in accordance with generally accepted accounting standards. These standards require asset and liability accounting for income taxes based upon events recognized in the financial statements as measured by provisions of enacted tax laws. Under this method, deferred tax assets and liabilities are determined based on the differences between financial statement and tax bases of assets and liabilities using enacted rates in effect for the year in which the differences are expected to reverse.

(c) Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

(d) Office Furniture and Equipment

Office furniture and equipment is stated at cost. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets of five years.

(e) Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

(1) Organization, Line of Business, and Summary of Significant Accounting Policies (continued)

(f) Trade Accounts Receivable

Trade accounts receivable is recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends. Uncollectible loans and accounts receivable are charged off after all reasonable collection efforts have been utilized. Accounts receivable are deemed to be past due when payments are more than 30 days late.

(g) Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. There were no differences between the net income (loss) for the years ended December 31, 2016 and 2015 and comprehensive income (loss) for the same periods.

(2) Franchise Revenue

During 2015 the Company recorded net revenue of $6,000 respectively from the transfer sales of franchises.

In addition to initial franchises fees, franchisees are required to pay from 5% to 6% of future sales as continuing franchise fees or royalties and 2% as advertising fees. During 2016 and 2015 the Company recorded $547,172 and $566,578 as royalty and advertising fees. Of these totals $113,024 and $128,728 representing advertising fees were offset against advertising expense on the accompanying statement of operations for the years ended December 31, 2016 and 2015. Advertising fees in excess of advertising expense are included in deferred advertising revenue on the accompanying balance sheets at December 31, 2016 and 2015.

As of December 31, 2016 the Company had approximately 23 individual franchise outlets in operation.

(3) Trademark

During 2002 the Company settled certain litigation in defense of its trademark. As a result of this settlement, costs totaling $300,000 were added to the original cost of the trademark. This addition amount represented settlement costs of $100,000 and litigation costs of $200,000. The trademark cost was being amortized on a straight-line basis over a period of 15 years through December 31, 2009.

(3) Trademark (continued)

In 2010 Management of the Company determined that the trademark had an unlimited life and thus, in accordance with generally accepted accounting standards, discontinued amortization. The Company reviews its investment in the Trademark for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the Trademark to the future net undiscounted cash flow expected to be generated by the Trademark including collections of Franchisee fees and royalties. If the Trademark is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the Trademark exceeds its fair value.

Accordingly, Management has evaluated the net unamortized trademark amount of $90,026 included on the accompanying balance sheet at December 31, 2016 for impairment and determined that no impairment existed at that date.

(4) Income Taxes

Income tax expense for the years ended December 31, 2016 and 2015 consists of the following:

		Federal	State	Total
December 31, 2016:				
Current	$	-	(100)	(100)
Deferred		-	-	-
	$	-	(100)	(100)

		Federal	State	Total
December 31, 2015:				
Current	$	-	(130)	(130)
Deferred		-	-	-
	$	-	(130)	(130)

The tax effect of temporary differences giving rise to deferred tax liabilities result from use of the cash basis method of accounting for income tax purposes versus the accrual basis of accounting for financial accounting purposes and differences between depreciation lives used for income tax purposes versus lives used for financial accounting purposes.

Income tax expense differs from the "expected" tax expense computed by applying the applicable U.S. Federal corporate income tax rate of 15% and an estimated state tax of 5% primarily as a result of recognition of a valuation allowances recorded which

(4) Income Taxes (continued)
reduced the income tax benefit of deferred income tax assets to zero.

At December 31, 2016 and 2015 deferred tax assets had been reduced by a valuation allowance of $210,000 and $209,000 respectively.

At December 31, 2016 the Company has a net operating loss carryforward for income tax purposes of approximately $390,000 which expires in 2029.

Income tax returns filed for the years ended December 31, 2013 through 2015 are subject to examination by the Internal Revenue Service in the United States of America.

(5) Related Party Transactions
During the years ended December 31, 2016 and 2015 the Company paid a total of $47,800 and $20,000 respectively to an officer and director of the Company as reimbursement for consulting services provided to the Company.

At December 31, 2016 and 2015 the Company had advanced $100,000 and $45,000 respectively to affiliated companies without interest.

During the years ended December 31, 2016 and 2015 the company paid rent for office and warehouse space totaling $96,000 in each year. Rental amounts are charged on a discretionary basis and paid month to month.

(6) Contingencies
The Company discontinued payment on an obligation for repurchase of a franchise during the year ended December 31, 2009. This was done because of alleged defaults by this franchisee which nullified the Company's obligation to continue repaying the amount. During 2010 the franchisee filed litigation against the Company asserting its right to payment of the obligation totaling approximately $75,000 and damages totaling $2,500,000. The Company then filed counterclaims asserting among other things, trademark infringement, unfair competition, etc. During 2012 a summary judgment was issued by the court in favor of the plaintiff. The Company has appealed this decision. Although the ultimate amount of the judgment is yet to be determined, the Company has recorded an amount equal to approximately $100,000 (including $73,750 in notes payable) representing an estimate of the ultimate amount that could be paid.

(6) Contingencies (continued)

During 2013 the Company filed an action against a franchisee to invalidate its franchise rights due to alleged fraud committed by the franchisee. This action was dismissed by the court but was overturned on appeal. The ultimate effect on the financial statements of this litigation is unknown.

(7) Advertising and Promotion

During the years ended December 31, 2016 and 2015 the Company incurred a total of $19,970 and $28,124 as advertising expense, before reimbursement by franchisees. Advertising costs are charged against deferred advertising revenue.

(8) Concentrations of Credit

The Company's customers consist primarily of individuals living in the United States and Canada. No single customer accounted for more than 5% of the Company's revenue for the years ended December 31, 2016 and 2015.

At December 31, 2016 the Company had a deposit with a financial institutions which exceeded the federally insured amount $35,660.

(9) Sale of Product to Franchisees (unaudited)

During the years ended December 31, 2016 and 2015 Bad Ass Coffee Distributors Inc., an affiliate of the Company, sold approximately $642,000 and $596,000 respectively of coffee and related, products to franchisees of the Company.

(10) Long-term Debt

Long-term debt at December 31, 2016 and 2015 consists of the following:

	2016	2015
Notes payable to former franchisee for the repurchase of franchises. Unsecured with interest at variable rates due with periodic payments of interest and principal through June 2019.	$ 60,264	73,746
Less current portion	14,786	13,955
	$ 45,478	59,791

The future maturities of debt under the above obligations due subsequent to December 31, 2016 are as follows:

2017	14,786
2018	15,698
2019	29,780
	$ 60,264

(10) Long-term Debt (continued)

The loan agreement also provides that the Company will pay $10,000 to the Lender as additional compensation for every original franchise sale. No amounts were due at December 31, 2016 and 2015 under this provision.

(11) Subsequent events

Management of the Company has evaluated any subsequent events that may require disclosure in these financial statement through April 5, 2017 the date that the financial statements were issue

EXHIBIT "D"
TO THE FRANCHISE DISCLOSURE DOCUMENT

SCHEDULE AND LOCATION OF FRANCHISEES
AS OF DECEMBER 31, 2018

CURRENT FRANCHISEES

STATE	FRANCHISE NAME	FRANCHISEE	ADDRESS	CITY, STATE, ZIP	PHONE
Arizona	Tolleson	Cole Coffee House LLC	8363 W. Van Buren Street, E-1	Tolleson, AZ 85021	480-645-9064
California	Rancho Cucamonga	Dave Wagner	11460 Kenyon Way, Suite 108	Rancho Cucamonga, CA 91701	909-652-0755
California	San Diego	Dung (Danny) Vuong	9878 Carmel Mountain Road, Suite C	San Diego, CA 92129	858-240-7077
California	Santa Rosa	Laughing Toucan, Inc.	90 Mark West Springs Road, Suite 100	Santa Rosa, CA 95404	707-526-3434
California	Santa Rosa	Dancing Dragons Inc.	140 Stoney Point Road	Santa Rosa, CA 95401	707-526-3434
Florida	Destin	Bay Brew LLC, Crab Island Coffee Company LLC	1708 Scenic Gulf Drive	Miramar Beach, FL 32550	850-424-7804
Florida	Grayton Beach	Bay Brew LLC, Crab Island Coffee Company LLC	17 Uptown Grayton Circle	Santa Rosa Beach, FL 32459	850-549-6024
Florida	Naples	Hanalei Bay Coffee Co. Inc.	1307 Third Street S.	Naples, FL 34102	239-213-0527
Florida	Pensacola	Ed Lemox	1014 Underwood Avenue	Pensacola, FL 32504	850-478-0634
Florida	Perdido Key	Bay Brew LLC, Crab Island Coffee Company LLC	13430 Gulf Beach Highway	Pensacola, FL 32507	850-497-0202
Hawaii	Lahaina	Chris Burns	3636 L. Honoapiilani Road	Lahaina, HI 96761	808-877-5477
Hawaii	Lahaina	Chris Burns	671 Front Street	Lahaina, HI 96761	808-661-0942
Montana	Dillon	Tom & Dina Trang	112 North Washington Street	Dillon, MT 59725	406-683-9004
Nevada	Las Vegas	Kona Krazy, LLC	Mobile Unit	Las Vegas, NV 89130	702-281-9632
New Mexico	Bernalillo	Melissa Clement	965 F Highway 550	Bernalillo, NM 87104	505-850-9635
Oregon	Medford	Steve & Lori Furst Sheila Baker	750 Crater Lake Avenue	Medford, OR 97504	541-779-0974
Utah	Salt Lake City	Mike Hennessy	3530 South State Street	Salt Lake City, UT 84115	801-265-1182

Virginia	Virginia Beach	Mila & Cris Elliott Milene Gengler	619 18th Street	Virginia Beach, VA 23451	757-233-4007
Japan	Kaihin Makuhari, Chiba	Mr. Takahashi	Kauhin Makuhari 1F 1-14 Hibiro Mihama-ku	Chiba-shi, Chiba 261-0021	
Japan	Tateyama, Chiba	Mr. Takahashi	Tech Pit Garden 235 Yawata Tateyama	Chiba 294-0047	
Japan	Lulala Kohoku Yokohama, Kanagawa	Shueidou Company Nakayama	2-2-1 Nakagawa Chuo Tuzuki	Yokohama-City, Kanagawa 224-0031	
Virgin Islands	St. Thomas	Paul Willis	5330 Yacht Haven Grande, Suite 103, Route 30	Charlotte Amalie, St. Thomas, VI 00802	340-344-2744

FRANCHISES TERMINATED, TRANSFERRED, CANCELLED, NOT RENEWED OR OTHERWISE CEASED TO DO BUSINESS IN 2018**

OREGON

Franchisee: Jed Evers
143 South Riverside Avenue, Ste A
Medford, OR 97501
541-282-9660

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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, 20th Floor 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 280 St. Paul, MN 55101 (651) 539-1500
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:	Division of Insurance Securities Regulation 124 South Euclid Avenue, 2nd Floor Pierre, SD 57501 (605) 773-3563

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

If a state is not listed, franchisor has not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which franchisor has appointed an agent for service of process.

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, 20th Floor
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

Minnesota Department of Commerce
Securities Franchise Registration
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
(651) 539-1500

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

NYS Department of Law
Investor Protection Bureau
28 Liberty St. 21st Floor
New York, NY 10005
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

Division of Insurance
Securities Regulation
124 S. Euclid Ave, 2nd Floor
Pierre, South Dakota 57501-3185

(605) 773-3563
FAX: (605) 773-5953

Texas

Secretary of State
Registrations Unit
P.O. Box 13193
Austin, Texas 78711-3193
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 OF HAWAII®
OPERATIONS MANUAL

TABLE OF CONTENTS

BAD ASS COFFEE OF HAWAII™
OPERATIONS MANUAL

TABLE OF CONTENTS

EXHIBIT "H"
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.** ("Franchisor," "We", "Us" or "Our") and ________________________________ ("You," "Your" or "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.

B. You declare that You have fully reviewed the Bad Ass Coffee of Hawaii® Franchise Disclosure Document and have had such FDD for at least 14 days and familiarized Yourself with the essential aspects of owning a Bad Ass Coffee of Hawaii® franchise 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 You further 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.

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 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, 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 of $1,000. 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 initial franchise fee, all within the Option Period. **Time is of the essence for this Agreement**.

4. **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.

5. **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, 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: ______________________

6. **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.

7. **Amendment**. This Agreement may be amended, modified or changed only by a written instrument signed by duly authorized representatives of both Parties.

8. **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.

9. **Costs & Expenses**. Each Party will pay its own costs and expenses in connection with this Agreement.

10. **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.

11. **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.

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

FRANCHISOR:

BAD ASS COFFEE COMPANY OF HAWAII, INC.

By: ________________________________
Its President

PROSPECTIVE FRANCHISEE:

___________________________, LLC/Inc.

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 "I"
TO THE FRANCHISE DISCLOSURE DOCUMENT

RELEASE AGREEMENT

BAD ASS COFFEE OF HAWAII®
RELEASE AGREEMENT

THIS RELEASE AGREEMENT ("Agreement") is made and entered into this__ day of ____________, 20__ by and between **BAD ASS COFFEE COMPANY OF HAWAII, INC., a Utah corporation** (herein "Franchisor") and _________________________ (jointly and severally "Franchisee"). 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 on ______________, 20___ with Franchisor (the "Franchise Agreement"); and

WHEREAS, the Franchise Agreement was personally guaranteed by ______________ and _____________ ("Personal Guarantor(s)"); and

WHEREAS, the Franchise Agreement has been terminated as of ____________________, 20___.

NOW THEREFORE, in consideration of the recitals, premises and other provisions set forth herein, and 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 Guarantor(s) hereby agree as follows:

1. Franchisee and Personal Guarantor(s) 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 Guarantor(s) 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 Guarantor(s) 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.

3. Franchisee and Personal Guarantor(s) represent that each of them fully understands the broad coverage of the release provisions of this Agreement, and that they execute the same with respect to all claims, causes of action and demands, as set forth above, they have or may have against the Franchisor, fully intending that the provisions hereof be given the broadest interpretation permitted by law or the English language. Franchisee and Personal Guarantor(s) acknowledge and expressly agree that they will make no claim, and hereby waive any right they may now have, or may hereafter have, based upon any alleged oral or written alteration, amendment, or modification of this Agreement, fully waiving any right

they may have to refer to extrinsic matters in the interpretation hereof, whether to establish fraud, duress, mistake, undue influence, or for any other purpose.

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.

4. 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.

5. Nothing in this Agreement releases Personal Guarantor(s) or Franchisee from their obligations under the non-competition clauses of the Franchise Agreement or their Non-Competition Agreements signed with Franchisor.

6. Miscellaneous.

6.1 Cooperation. Franchisee and Personal Guarantor(s) 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.

6.2 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.

6.3 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.

6.4 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.

6.5 Amendment. This Agreement may be amended, modified or changed only by a written instrument signed by duly authorized representatives of both Parties.

6.6 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.

6.7 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.

6.8 Confidentiality. Franchisee and Personal Guarantor(s) 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.

6.9 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.

6.10 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.

6.11 Paragraph Headings. The paragraph headings appearing in this Agreement are inserted only as a matter of convenience and reference and in no way define, limit, construe or describe the scope, interpretations or extent of such paragraph or in any way affect such paragraph or this Agreement. Words in the masculine gender include the feminine and neuter. Use of the singular includes the appropriate plural numbers.

6.12 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.

7. This Agreement will be effective when all the parties have signed it. The date of this Agreement will be the date this Agreement is signed by the last party to sign it as provided in the signature block below.

8. The Franchisee and Personal Guarantor(s) 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 to be executed as of the date provided below 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: __________________________

PERSONAL GUARANTORS:

By: _________________________________ (print name)______________, personally	By: _________________________________ (print name)______________, personally
Date: ________________________________	Date: ________________________________
By: _________________________________ (print name)______________, personally	By: _________________________________ (print name) ______________, personally
Date: ________________________________	Date: ________________________________

EXHIBIT “J”
TO THE FRANCHISE DISCLOSURE DOCUMENT

SIGNING CHECKLIST

Franchise Documents Signing Checklist

The following items need to be filled out, signed, or dated by the party indicated

1. When you receive the FDD

DOCUMENT	PAGE OR SECTION NUMBER	INSTRUCTIONS	CHECK WHEN COMPLETED
FDD Receipt pages	(last 2 pages of the entire FDD packet)	There are two receipt pages at the very end of the FDD. You must sign and date both copies. You will keep the copy labeled "Franchisee Copy" and return the other copy ("Franchisor Copy") to the franchisor ("BACH").	
Prospective Franchisee Deposit Agreement (if applicable)	Exhibit I (pages 1-5)	If BACH allows you to reserve a territory before signing the Franchise Agreement, you need to sign this agreement. 1. On the first page, you will fill out the date and your name or your company's name if you will have a company be the franchisee. 2. Fill in your or your company's contact information on page 2. 3. Sign and date page 4. 4. You and BACH will fill out page 5.	

2. When you sign the Franchise Agreement and other documents

DOCUMENT	PAGE OR SECTION NUMBER	INSTRUCTIONS	CHECK WHEN COMPLETED
Franchise Agreement	(page 1)	Fill in the franchisee name	
Franchise Agreement	(page 3)	In first paragraph fill in date and franchisee name.	
Franchise Agreement	(page 38)	Fill in the franchisee name, address, and email	

Franchise Agreement	(page 44-45)	1. If the franchisee is an entity, (1) fill in the entity name on the line before LLC/INC., and have the president, manager, etc. sign on behalf of the entity. 2. If there is no entity, the franchisee will sign personally on page 45. 3. The signatures must be notarized.	
Franchise Agreement (Personal Guaranty)	(page 46)	Fill in the date for the Personal Guaranty, have individual franchisees sign and have it notarized	
Territory	Exhibit A-1 (page 47)	If the premises is not already known, this will be filled out and initialed later	
Company Reps. and Warranties	Exhibit A-2 (page 48-49)	The franchisee must fill in the appropriate fields, date, and sign.	
Principal Confidentiality, Non-Competition & Non-Solicitation	Exhibit A-4 (page 51-54)	**Each** owner of the franchisee must fill out and sign and date a separate form.	
Management Employee Confidentiality and Non-Competition	Exhibit A-5 (page 55-57)	Franchisee’s management employees fill in the blanks, date, and sign. Each separate employee needs to sign and date.	
Principal Confidential Recipe Agreement	Exhibit A-6 (page 58-60)	**Each** owner and principal manager of the franchisee must fill out and sign and date a separate form.	
Employee Confidentiality Agreement	Exhibit A-7 (page 61-64)	Franchisee’s employees with access to the recipes fill in the blanks, date, and sign. Each separate employee needs to sign and date.	
Landlord’s Consent to Assignment	Exhibit A-8 (page 65)	Landlord fills in the blanks, dates, and signs.	
ACH Agreement	Exhibit A-9 (page 66)	This must be filled out with all the appropriate bank information and signed.	

Mobile/Food Truck Addendum	Exhibit A-10 (page 67-69)	1. In first paragraph fill in date and franchisee name (Page 67). 2. Fill in the franchisee name, address, and email (Page 69).	
Statement of Prospective Franchisee	Exhibit – B	The franchisee must fill in, initial, sign, and date where indicated.	
Release Agreement	Exhibit I (pages 1-5)	Do not fill out or sign this agreement. This is only to be filled out and signed at the time the Franchise Agreement is transferred, terminated or not renewed.	

DOCUMENT	**INSTRUCTIONS**	**CHECK WHEN COMPLETED**
Proof of insurance	The franchisee must get and maintain insurance and provide proof of insurance that lists the franchisor as an additional insured. The franchisee must provide this **annually**.	
Franchisee's d.b.a.	In the state where your franchise is located, you need to file for a dba or "doing business as" under the name "Bad Ass Coffee of Hawaii ____________." The blank line will be the city or neighborhood where your franchise is located or as assigned by the franchisor. For example, if your franchise is located in Irvine, California, your filed dba could be "Bad Ass Coffee of Hawaii – Irvine." The franchisor must approve your dba before you file it. You must send a copy of the dba filing to the franchisor after it is filed. Please note that a dba is different from your company name if you have a company that is the franchisee. Please note that also you cannot use the name "Bad Ass Coffee of Hawaii" as part of your company name.	
Franchisee's Certificate of Occupancy	Franchisee must provide a certificate of occupancy before you schedule on-site opening assistance/training	
Franchisee's Entity Documents	Articles of Incorporation or Organization along with Bylaws or Operating Agreement sent to franchisor.	
Copy of lease agreement	The franchisee must provide a copy of the lease agreement to the franchisor.	

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 requires 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. The issuance date of this disclosure document is April 8, 2019, or the effective date in your state, whichever is later.

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." 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.

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:

Name	Address	Phone
Scott Snyder	155 West Malvern Ave., Salt Lake City, UT 84115	(801) 463-1966
Connie Alexakos	155 West Malvern Ave., Salt Lake City, UT 84115	(801) 463-1966

I received a disclosure document dated April 8, 2019 that included the following Exhibits:

A. Franchise Agreement and its Exhibits
B. Statement of Prospective Franchisee
C. Financial Statements
D. Schedule of 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. Deposit Agreement
I. Release Agreement
J. Signing Checklist
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 emailing a copy of the signed and dated receipt to connie@badasscoffee.com.

RECEIPT

(Franchisor'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 requires 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. The issuance date of this disclosure document is April 8, 2019, or the effective date in your state, whichever is later.

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H. Deposit Agreement
I. Release Agreement
J. Signing Checklist
Receipts

Date: ___________________
(Do not leave blank)

____
Signature of Prospective Franchisee

____
Print Name

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