FRANCHISE DISCLOSURE DOCUMENT

Blue Martini Franchising, LLC
dba Blue Martini
a Florida Limited Liability Company
477 South Rosemary Avenue, Suite 224
West Palm Beach, Florida 33401
(561) 820-8071
Email: amy@bluemartinilounge.com
URL: www.bluemartinilounge.com

Blue Martini Franchising, LLC offers franchises for the operation of live entertainment lounges at specified locations with proprietary blue and red interior lighting, upscale decor with a local orientation, offering live entertainment and a martini bar featuring specialty proprietary martinis, and also serving other liquor and beverages, food, and related merchandise, products and accessories, using designated concepts, designs, recipes, authorized equipment and techniques.

The total initial investment necessary to begin operation of a Blue Martini franchise unit ranges from $2,295,000 to $4,680,000. This includes an initial franchise fee of $50,000 that is paid to Blue Martini Franchising, LLC.

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 government 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 disclosure in different formats, contact Amy Liga McNamara at 477 South Rosemary Avenue, Suite 224, West Palm Beach, Florida 33401, telephone (561) 820-8071.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this disclosure document to an advisor, such as 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, DC 20580. You can also visit the FTC's homepage 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.

Issued: **April 2, 2019.**

FTC

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with the 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 E 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 REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN FLORIDA. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO SUE US IN FLORIDA THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT STATES THAT FLORIDA 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.

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

California _____
Illinois

In all states that do not have franchise registration and disclosure laws, the effective date is April 2, 2019.

BLUE MARTINI FRANCHISING, LLC

FRANCHISE DISCLOSURE DOCUMENT

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

To simplify the language, this disclosure document uses "we", “our” or “us” to mean Blue Martini Franchising, LLC. "You" or “your” means the individual, corporation or other entity who buys the Blue Martini live entertainment lounge franchise, and (in the case of an entity buying the franchise) all persons owning 20% or more of the franchisee entity (“Principal Equity Owners”).

The Franchisor, Parents and Affiliates

We are the franchisor for the Blue Martini live entertainment lounge system. Our principal business address is 477 South Rosemary Avenue, Suite 224, West Palm Beach, Florida 33401.

We have no parent entity.

Our affiliate, Blue Martini Founders, LLC, whose principal business address is 477 South Rosemary Avenue, Suite 224, West Palm Beach, Florida 33401, owns and licenses all intellectual property relating to the Blue Martini live entertainment lounge business, including royalty-free intellectual property licensed to us. We will then license you the right to use specific intellectual property under the franchise agreement. Another affiliate, Quality Service Group, LLC, whose principal business address is 477 South Rosemary Avenue, Suite 224, West Palm Beach, Florida 33401, provides management services to Blue Martini live entertainment lounges. Otherwise, we are not controlled by, controlling, or under common control with any other entity that provides goods or services to our franchisees or offers franchises in any line of business.

Predecessors

We have no predecessor. However, there are 9 entities related to us that own and operate 9 Blue Martini live entertainment lounges in Arizona, Florida, Nevada and Texas, and 1 entity, Quality Service Group, LLC, that provides management services to these live entertainment lounges.

Name Used by the Franchisor

We conduct business under the name “Blue Martini®”. We do not intend to use any other name to conduct business.

Agent for Service of Process

Our agent for service of process is Byron Gardiner, whose principal business address is 477 South Rosemary Avenue, Suite 224, West Palm Beach, Florida 33401.

Business Organization Used by the Franchisor

We are a limited liability company organized in Florida on December 23, 2013.

The Franchisor's Business

We act solely as a franchisor of Blue Martini franchises. We began offering franchises for Blue Martini outlets in June 2017. We do not operate businesses of the type being franchised (although our affiliated entities do so), and we do not engage in other business activities.

The Business the Franchisee Will Conduct

The Blue Martini franchise is a license to independently own and operate a single live entertainment lounge ("Outlet") with proprietary red and blue interior lighting, upscale decor with a local orientation, live entertainment and a martini bar featuring specialty proprietary martinis and other "Blue Martini Products" (as defined in the Franchise Agreement). The Outlet also serves other liquor and beverages, food, and related merchandise, products and accessories, using designated concepts, designs, recipes, authorized equipment and techniques.

If you want to and you are financially and operationally qualified in our judgment to do so, you and we may enter into an Area Development Agreement ("ADA"), under which you will be granted the opportunity to develop a number of additional Outlets under a mutually agreed timetable and within a negotiated development area. The form of ADA is attached as Exhibit B to this disclosure document.

General Market for Franchised Products and Services

The general market in which you will operate the business involves nightclubs, lounges and other full-service restaurants. The market for Blue Martini Products includes all individuals within a reasonable proximity to the Outlet. This type of business is fully developed, does not involve sale primarily to a certain group and is not seasonal.

Industry Specific Laws or Regulations

You will need a liquor license, business license and reseller's permit, and you must comply with federal, state and local laws applicable to the operation and licensing of a lounge business, including dance application permits and compliance with zoning requirements. You must also obtain all applicable health permits, inspections and approvals by municipal, county or state health departments that regulate food handling and food service operations. Your Outlet must also meet applicable municipal, county, state and federal building codes and any accessible accommodations required by The Americans with Disabilities Act for disabled persons.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce regulations that govern food preparation and service. State and local agencies inspect restaurants and other retail food service providers to ensure that they comply with these laws and regulations.

The Federal Clean Air Act and various state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particles, including caps on emissions from commercial food preparation. Some state and local governments also regulate indoor air quality, including limiting the use of tobacco products in public places.

Competition

All Blue Martini live entertainment lounge franchisees will compete with other nightclubs, entertainment lounges and full-service restaurants, including other bar concepts and entertainment venues that offer products and services comparable to the Blue Martini Products.

Prior Experience of Franchisor and Predecessors

The original Blue Martini live entertainment lounge was opened in 2000 by Blue Martini, Inc. in West Palm Beach, Florida, where it continues to operate. Additional Blue Martini live entertainment lounges were opened by related entities in Florida, Arizona, Nevada and Texas. The addresses of all Blue Martini live entertainment lounges are listed in Exhibit C to this disclosure document.

We have no predecessors or parents. Our affiliates do not currently offer and have not previously offered franchises in this or any other line of business. Except as described in this disclosure document, our affiliates conduct no other business. We have no other affiliates that must be disclosed.

ITEM 2: BUSINESS EXPERIENCE

Mark Vasu: Chief Executive Officer and Manager

Mr. Vasu was named our Chief Executive Officer and Manager in January 2014. He also serves as President and Director of Vasu Ventures, Inc., West Palm Beach, Florida (since August 2000). Vasu Ventures, Inc. is our Member-Manager (since our inception) and Manager of Blue Martini Licensing, LLC, West Palm Beach, Florida (since January 2014), Blue Martini Pointe, LLC, West Palm Beach, Florida (since December 2013) and Blue Martini Founders, LLC, West Palm Beach, Florida (since August 2009). Mr. Vasu also serves as (i) Managing Member of Quality Service Group, LLC, West Palm Beach, Florida (since July 2005); and (ii) President and Director of Blue Martini, Inc., West Palm Beach, Florida (since 2000). He also is the President and Director of related corporations that own and operate Blue Martini live entertainment lounges in Florida (Fort Lauderdale) and Manager or Managing Member of related limited liability companies that own and operate Blue Martini live entertainment lounges in Arizona (Phoenix), Florida (Miami-Brickell, Miami-Kendall, Naples and Orlando), Nevada (Las Vegas) and Texas (Plano).

Stephan Day: Treasurer and Secretary

Mr. Day was named our Treasurer and Secretary in January 2014. He also serves as Treasurer, Secretary and Director of Blue Martini, Inc., West Palm Beach, Florida (since 2000) and as Treasurer, Secretary and Director of related corporations that own and operate Blue Martini live entertainment lounges in Florida (Fort Lauderdale) and Manager or Managing Member of related limited liability companies that own and operate Blue Martini live entertainment lounges in Arizona (Phoenix), Florida (Miami-Brickell, Miami-Kendall, Naples and Orlando), Nevada (Las Vegas) and Texas (Plano). Mr. Day also serves as Manager of Stephan Day Consulting LLC, Fort Lauderdale, Florida (since July 2006).

Byron Gardiner: Chief Operating Officer

Mr. Gardiner was named our Chief Operating Officer in January 2014. He also serves as Manager of Big Bryce Enterprises, LLC, Wellington, Florida, an entity affiliated with Blue Martini Founders, LLC and Quality Service Group, LLC. He is also a Principal of related corporations that own and operate Blue Martini live entertainment lounges in Florida (Fort Lauderdale and West Palm Beach) and Principal of related limited liability companies that own and operate Blue Martini live entertainment lounges in Arizona (Phoenix), Florida (Miami-Brickell, Miami-Kendall, Naples and Orlando), Nevada (Las Vegas) and Texas (Plano). Mr. Gardiner also serves as manager of Blue Martini Management, LLC.

Kyle Dorr: Executive Vice President

Mr. Dorr was named our Executive Vice President in January 2014. He also serves as Managing Member of Olive or Twist, LLC, Tampa, Florida, an entity affiliated with Blue Martini Founders, LLC and Quality Service Group, LLC. He is also a Principal of related corporations that own and operate Blue Martini live entertainment lounges in Florida (Fort Lauderdale, Tampa and West Palm Beach) and Principal of related limited liability companies that own and operate Blue Martini live entertainment lounges in Arizona (Phoenix), Florida (Boca Raton, Miami-Brickell, Miami-Kendall, Naples and Orlando), Nevada (Las Vegas) and Texas (Plano).

John Martin: Senior Vice President

Mr. Martin was named our Senior Vice President in January 2014. He also serves as West Coast Regional Director and General Manager of Blue Martini Phoenix, LLC, Phoenix, Arizona (since April 2008).

Alexander Peker: Vice President Real Estate/Development

Mr. Peker was named our Vice President Real Estate/Development in 2015. He is also a Principal of related corporations that own and operate Blue Martini live entertainment lounges in Florida (since 2005). From 2012 to 2015, Mr. Peker served as Senior Vice President, Leasing for Madison Marquette, Washington, D.C.

Amy Liga McNamara: Vice President of Administration

Ms. McNamara was named our Vice President of Administration in January 2014. She also serves as Director of Administration for Quality Service Group, LLC, West Palm Beach, Florida (since April 2006).

Leo Lopiccolo: Corporate Executive Chef/Director of Kitchen Operations

Started with Blue Martini March of 2001 as kitchen manager of the Tampa location and redeveloped the entire food menu. Promoted to GM/Exec Chef of Latin Fusion concept Cayenne Grill in WPB from November 2003 thru September 2005. Developed food menu, kitchen staff training for new bar concept Island Dogs Bar in Key West, Florida 2006 thru 2009. Promoted to Corporate Exec Chef in 2006 to the present.

Bill Herman: Brand Development Director

Mr. Herman was named our Brand Development Director in January 2019. From January 2014 through December 2018 Mr. Herman was Brand Development Director for B&B Management Group in Jupiter, Florida.

Unless otherwise indicated, the location of the employer is West Palm Beach, Florida.

ITEM 3: LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4: BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5: INITIAL FEES

The Initial Franchise Fee for a single Outlet is $50,000 and is due and payable in full to us when you sign the Franchise Agreement. The highest and lowest initial franchise fees actually paid to us during our last complete fiscal year was $50,000.

If you sign an ADA, you will pay us at that time a non-refundable development fee based on the number of additional Outlets you commit to open ($25,000 for each additional Outlet). When you sign a franchise agreement for the Outlet, $25,000 will be applied as a credit toward the initial franchise fee due under the franchise agreement for that additional Outlet. The highest and lowest development fees actually paid to us during our last complete fiscal year was $25,000, based on the fee per Franchised Business basis.

The Initial Franchise Fee and development fee paid under an ADA are fully earned by us when paid and it is not refundable.

If you do not successfully complete initial training, or if we cannot agree on a suitable site for your Outlet within one year after you sign the Franchise Agreement, we may unilaterally cancel the Franchise Agreement.

There are no other initial fees or payments for services or goods received from us or our affiliates before your Outlet opens.

ITEM 6: OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty[1]	5% of Gross Revenues	Every Week	Royalty is paid every week by an electronic funds transfer ("EFT") sweep of your operating account following the week period in which applicable "Gross Revenues" were received. "Gross Revenues" include all revenue from the sale of all products and services and all other income of every kind and nature related to your franchise operation, whether for cash, by redemption of gift certificates or for credit, regardless of collection. Gross Revenues do not include sales tax or any other taxes you collect from customers for payment to an appropriate tax authority. You may also be asked to reimburse us for any taxes on Royalties that we pay to a tax authority in your state.

Type of Fee	Amount	Due Date	Remarks
Marketing and Promotion Fees[1]	1% of Gross Revenues[3]	Every week	Marketing and Promotion Fees are paid every week by an EFT sweep of your operating account following the week period in which applicable Gross Revenues were received. Also, on a regional or system-wide basis, we may also impose an additional assessment upon some or all franchisees for one-time advertising or promotional activities if 2/3 of all affected Blue Martini live entertainment lounge outlets agree to such additional assessment by affirmative vote. At this time, we do not collect any Marketing and Promotion Fees.
Initial Training Fee for Additional Attendees[1]	$1,500[5] (for each attendee)	At completion of training[2]	Initial Training is provided to your General Manager and all owners of at least 20% equity in the franchisee entity ("Principal Equity Owner") at no additional charge. Additional attendees of Initial Training, including replacement General Managers, may be required to pay us $1,500 for each subsequent attendee for Initial Training. You must pay the costs of travel, lodging and meals for all trainees.
Transfer Fee[1]	$5,000 to $10,000[5]	Not later than 10 days before the transfer[2]	The transfer fee covers our costs in reviewing the qualifications of the assignee and providing initial franchise training to the assignee. The transfer fee is (i) $5,000, if the existing General Manager will continue to act in this capacity after the transfer, or (ii) $10,000, if a new General Manager needs to be approved and trained by us. There is no transfer fee if franchise is transferred to an entity owned solely by you. No fee is due if franchise is transferred to your personal representative, conservator or heir upon your death or legal disability (if you are an individual) or dissolution (if you are an entity).
Renewal Fee[1,4]	$2,500[5]	When you sign the Renewal Franchise Agreement	You are qualified for renewal if you are in full compliance with your operating requirements, all fees due us are paid and you are not in breach of any term of your Franchise Agreement.
Late Payment Penalty	5% of the amount past due[5]	Immediately upon our demand[2]	The late payment penalty is due each time you fail to make a required payment and is in addition to interest on the unpaid amount. You must also reimburse us immediately upon demand for all reasonable costs of collection relating to delinquent amounts.
Interest Charged	15% of the unpaid amount	Immediately upon our demand	Interest charged by us cannot exceed the maximum allowed by the law of the state where the Outlet is located.
Records and Rights of Inspection (Audit)[1]	Cost of audit plus interest on underpayment	Immediately upon demand for payment[2]	Due only if audit discloses an understatement of 5% or more in gross sales for any month or it takes our auditors an unreasonable amount of time (more than 8 hours) to assemble your records for audit.

1. All fees are imposed and collected by and are payable only to us. Except as indicated in Item 5 or otherwise in the table above, all fees are non-refundable. All fees are uniformly imposed.

2. If any payment is not paid when due, you must pay interest on the unpaid amount at an annual percentage rate ("APR") of 15% (unless interest rates on delinquent payments in the state in which your Outlet is located are limited by law to a lesser amount, in which case that lesser amount will be charged

instead), and you must reimburse us immediately upon demand for all reasonable costs of collection relating to delinquent amounts. Interest begins from the date payment was due.

3. During the 30 days before and 30 days after the Opening Date, in addition to the amount to be spent on local marketing of your Outlet as a part of the Marketing and Promotion Fee, you must spend in your Territory at least $15,000 on the grand opening advertising and promotion of your Outlet, using a grand opening promotional program that we approve. Beginning 30 days after the Opening Date, and for the first 5 years after that, you must spend at least 3% of your Gross Revenues on the local marketing, advertising and promotion of your Outlet.

4. We will not accept the renewal fee until all of the other conditions for renewal have been met.

5. This fee may be adjusted by changes since the effective date of the Franchise Agreement in the annual average of the Consumer Price Index for All Urban Consumers ("CPI"), published by the Bureau of Labor Statistics of the United States Department of Labor, or the highest similar future index if these figures become unavailable.

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee[1]	$50,000	Lump sum; non-refundable	When you sign the Franchise Agreement.	Us
Grand Opening advertising [2]	$15,000 to $30,000	Lump sum	During the first 60 days after you open.	Advertisers and other suppliers
Training expenses [3]	$35,000 to $75,000	As incurred	During training	Travel and lodging vendors, opening team members, Us
Construction and leasehold improvements [4]	$1,450,000 to $2,500,000	As incurred	Before opening	Contractor, landlord and suppliers
Equipment, furniture, fixtures and signage [5]	$450,000 to $650,000	As arranged	Before opening	Suppliers
Point of Sale systems, computers and telecommunications [6]	$40,000 to $80,000	As arranged	Before opening	Suppliers
Professional fees – architect [7]	$75,000 to $250,000	As incurred	Before opening	Architect
Professional fees – legal and accounting [8]	$15,000 to $25,000	As incurred	Before opening	Attorneys and accountants
Inventory and supplies to begin operating [9]	$50,000 to $100,000	As arranged	Before opening	Designated and approved vendors
Insurance premiums [10]	$40,000 to $125,000	As incurred	As arranged	Insurance company
Liquor licenses[11]	$10,000 to $700,000	As incurred	Before and during opening	State alcohol licensing agency

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Other licenses, permits and deposits[12]	$15,000 to $20,000	As incurred	Before and during opening	Government agencies and utilities
Additional funds – 3 months [13]	$50,000 to $75,000	As incurred	After opening	Employees, landlord, other vendors as needed
TOTAL[14]	**$2,295,000 to $4,680,000**			

(1) This fee must be paid in full at the time indicated. In order to be eligible to sign the Franchise Agreement, you must provide us with reasonable proof of your financial ability to make the initial investment described above, and you must authorize us to conduct a credit check to confirm your financial ability to purchase and develop the Outlet.

(2) You must spend at least $15,000 during the 30 days before and 30 days after the opening date to build local customer awareness of your Outlet. Recommendations on how to promote the grand opening of your Outlet will be provided by us, including promotional ideas, sample advertising copy and flier design.

(3) Training typically is performed in south Florida as well as at your Outlet. These expenses represent (i) the wages, travel and living expenses for you and your staff during training, and (ii) reimbursement for the expenses (meals and travel) of our Opening Team.

(4) You will need to rent and build out a suitable retail site for your Outlet and the rent or lease deposit amount will vary depending on the location. A security deposit and first month's rent are standard requirements to enter into a commercial lease, and the estimate above includes 3 months of rent and the deposit. You will need to conduct the necessary build-out of your leased space according to our requirements. Outlets are free standing locations requiring from 3,500 to 5,000 square feet of floor space. The amounts listed in this type of expenditure are estimates that are based on basic build out of our Outlet design but do not include many variables related to the pre-existing condition of any one location. The cost of your build-out may be reduced by a Tenant Improvement ("TI") allowance or rebate from the landlord, which varies depending on the terms of each lease agreement. However, you will be required to complete the build-out, satisfy all related invoices to contractors and service providers in order to qualify for the TI rebate from the landlord.

(5) Equipment you will need to purchase includes complete audio and video system (including sound mixers, microphones, speakers, blue wall of LED lights and DJ system), full bar, refrigerator, freezer, prep tables, hand sinks, indoor and outdoor security system (with cameras) and safe. Required fixtures and furniture include upholstered bench seating, wood and granite tables, patio chairs and tables and indoor chairs. Required operational materials include printed materials (such as business cards and brochures), referral gifts and promotional items. The quantity, size, type and cost of signs will vary substantially per lease space and in accordance to stipulations of each landlord and local governmental regulations. These estimates include the average filing fees for obtaining the necessary sign permits.

(6) The POS system we currently require is an Aloha Software package (including printers and touch screens). The cost of the POS system and supporting equipment ranges from $40,000 to $80,000.

(7) Complete and detailed architectural renderings will be required for the build-out of your Outlet.

(8) This includes professional legal and accounting fees to review the franchise and set up the Outlet.

(9) This refers to the initial inventory of liquor, food and other authorized products, merchandise and supplies you must stock in order to open your Outlet for business.

(10) As an independently owned and operated franchisee, you are responsible for all costs or liabilities arising from the operation of your Outlet, and it is imperative that you carry adequate insurance to protect yourself. The cost of the insurance is highly dependent on the estimated sales volume of your Outlet. The currently required *minimum* coverage and limits of insurance during construction of your Outlet are contractor's insurance to include (i) Statutory Workers' Compensation Insurance and Employers' Liability in an amount of not less than $1,000,000 each accident, $1,000,000 Disease Policy Limit and $1,000,000 Disease Each Employee; (ii) commercial general liability insurance with limits of at least $5,000,000 per occurrence; (iii) auto liability insurance in the minimum amount of $2,000,000 each accident (combined single limit of Business Auto Coverage form for any auto including, but not limited to, owned, scheduled, hired and non-owned vehicles used in the operation of your business); (iv) Builder's Risk insurance covering the entire work at the jobsite on the basis of 100% Completed Value (replacement cost); (v) flood Insurance with a limit as close to the amount of the builders risk as is reasonably available (only if your Outlet is in a flood hazard area as designated by the U.S. government) and (vi) earthquake insurance with a coverage limit as close to 75 percent of the builder's risk limit (only if your Outlet is in a zone with a hazard rating of 20 or higher according to the latest US Geological Survey Shaking Hazard maps). After your Outlet opens for business and during business operations, the currently required minimum coverage and limits of insurance are (i) commercial general liability insurance with limits of at least $5,000,000 per occurrence (may be satisfied with a combination of primary, umbrella and/or excess policies); (ii) Liquor Liability Coverage insuring your liability for damages arising out of bodily injury or property damage by reason of any statute or ordinance or common law pertaining to the sale or serving of alcoholic beverages, with minimum limits of $5,000,000 each common cause, and $5,000,000 aggregate (these are to be separate limits from the general liability insurance limits and not reduce the amount of coverage available); (iii) commercial automobile insurance with coverage limits of at least $5,000,000 each accident combined single limit, which may be satisfied with a combination of primary, umbrella, and/or excess insurance policies, with coverage to include (A) all owned, non-owned, leased, and hired automobiles used in the operation of the lounge and (B) Garage-Keeper's Liability, to the extent that operations include parking operations, with a limit adequate to cover the full actual value of all automobiles that are in Licensee's care, custody and control at any one time; (iv) Statutory Workers' Compensation Insurance and Employers' Liability in an amount not less than $1,000,000 each accident, $1,000,000 Disease - Policy Limit and $1,000,000 Disease - Each Employee; (v) commercial property insurance and business interruption insurance on a special all risk causes of loss policy form, covering 100 percent of the insurable replacement value of the building and its contents, and for full recovery of the net profits and continuing expenses of the Outlet (including rental value) for a 12-month period; (vi) flood Insurance with a limit as close to the amount of the builders risk as is reasonably available (only if your Outlet is in a flood hazard area as designated by the U.S. government); (vii) earthquake insurance with a coverage limit as close to 75 percent of the builder's risk limit (only if your Outlet is in a zone with a hazard rating of 20 or higher according to the latest US Geological Survey Shaking Hazard maps); and Commercial Umbrella Liability insurance with a limit of not less than $5,000,000 per occurrence and in the aggregate. These limits shall apply in excess of the Commercial General Liability, Employer's Liability, Liquor Liability and Commercial Automobile Liability coverages. To the extent permissible under law, these insurance requirements may be satisfied with a combination of primary, umbrella and/or excess policies. All insurance policies will name you as named insured and, with the exception of Workers' Compensation, will name us and all of our subsidiaries and affiliates of these companies now existing or which may hereafter exist as additional insureds, including their employees, officers and directors on additional insured endorsement forms. All required insurance shall be purchased by insurance companies of good reputation with a rating of "A VII" or better by A. M. Best Company.

(11) You must obtain the necessary full liquor (or full spirits) license to permit you to offer martinis and other alcoholic beverages at your Outlet. The costs of these licenses vary. It is your responsibility to determine exactly what this liquor (or spirits) license will cost. You must supervise your employees at all times to make sure your customers are served alcoholic beverages responsibly. You must also employ and maintain at all times your Outlet is open a sufficient number of security personnel on and near the Outlet premises to provide adequate care and custody of your customers.

(12) This includes the costs of business licenses, fictitious or assumed name registration, and utility deposits.

(13) Although we do not require minimum funds for you to start your business, there are some expenses you will incur when you begin your franchise operations, such as inventory, supplies and employees. It is always a good idea to have some cash reserves available to cover initial operating expenses. This estimates the additional funds you will need for your first 3 months of operation. These expenses include payroll costs. These figures are estimates and we cannot guarantee that you will not have additional expenses during your first 3 months of operation. We relied on the 16 years of experience of our CEO in determining these figures. Your costs will depend on factors such as: how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our products and services; the prevailing wage rate; competition; and the sales level reached during the initial period.

(14) This estimates your initial start-up expenses. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Although we cannot assure you this will happen, if you do not open for business, you may receive a refund from suppliers for unused inventory, unspent advertising and canceled insurance. Otherwise the payments listed in the table above are nonrefundable. We do not finance any part of the initial investment. We relied on the 16 years of experience of our CEO in determining these figures. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases of Goods or Services, including Computer and Point of Sale System

You must purchase or lease an Aloha software point of sale ("POS") system for your Blue Martini live entertainment lounge. We have no obligation to provide or assist you in obtaining the POS system. You are responsible for all ongoing maintenance and repairs and upgrades to the POS system. In addition to the POS System, you may be required to purchase, use and maintain a personal computer system (including all related hardware and software) as we may specify in the Confidential Operations Manual (the "Manual") or otherwise in writing for use in connection with the Outlet (the "Computer System"). Although we have not yet done so, we may designate certain computer software used in the operation of the Outlet. And we require you to maintain an e-mail account and connect the Computer System to a dedicated telephone line (or other communications medium we specify) at all times and be capable of accessing the Internet via a third-party network we designate in the Manual or otherwise in writing. In the near future, we will identify and designate computer software that must be used in the operation of the POS System and/or Computer System. When we do so, you must license or sublicense such software from or our designated vendor and enter into a software license agreement on the designated vendor's then-current form.

You must purchase items bearing our trademarks only from designated vendors or approved suppliers. Also, you must use in the development and operation of your Outlet those fixtures, items of equipment, including food preparation and storage equipment, display cases, cash registers and computer systems, storefront, supplies and signs that we have approved as meeting our specifications and standards for appearance, function, design, quality and performance. You must place or display at the premises of your Outlet (interior and exterior) only such signs, emblems, lettering, logos, and display materials that we approve in writing. All equipment leases will be between you and the lessor. Under no circumstances can you sign any lease as if you were us or on our behalf.

Franchisor or its Affiliates Acting as Approved Suppliers

We do not sell or lease any goods, services, supplies or equipment related to establishing or operating the franchised business. However, you may be required to purchase some specified products and other food and beverage items and recipe ingredients that are proprietary to us or that are specifically selected by us for consistency in quality and other considerations only from manufacturers or producers we designate or approve in writing. We will provide a written list of these proprietary or selected items and approved manufacturers or producers. We will also notify you of any additions to or deletions from this list.

There are no suppliers in which any of our officers owns an interest.

Approved Suppliers and Approval of Alternative Suppliers

We only designate or approve suppliers who demonstrate to our satisfaction the ability to meet our standards and specifications, who possess adequate quality control and capacity to supply your needs promptly and reliably, and who have been approved by us in the Manual or otherwise in writing. Designation of a supplier may be conditioned on factors established by us, including performance relating to frequency of delivery, standards of service, and payment or other consideration to us or parties designated by us. We may designate a single or multiple suppliers for any given item or service and may concentrate purchases with one or more suppliers.

The current list of approved products and suppliers is found in the Manual. We may make changes to these lists or other parts of the Manual, which we will provide to you. If you desire to purchase products other than those provided by approved suppliers, you must submit to us a written request for approval of the proposed supplier together with such evidence of conformity with our specifications and program specifications as we may reasonably require. We will have the right to require that our representative be permitted to inspect the supplier's facility and that samples from the supplier be delivered for evaluation and testing, either to us or to an independent testing facility designated by us. A charge not to exceed the reasonable costs of evaluation and testing must be paid by you. Our criteria for supplier approvals are contained in the Manual. Within 60 days after our receipt of the completed request or completion of the evaluation and testing (if required by us), we will notify you in writing of our approval or disapproval of the proposed supplier. Approval will not be unreasonably withheld. You must not sell or offer for sale any products or services from a proposed supplier until you receive our written approval of the proposed supplier.

We may revoke our approval of particular products or suppliers if we determine in our sole discretion that the products or suppliers no longer meet our standards. Upon receipt of written notice of such revocation, you must cease purchasing or selling any disapproved product.

We may also consider the impact of an additional supplier (and consequent reductions in supplier volume and increase in distribution expense) on the overall supply chain being utilized by the system.

Issuance of Specifications and Standards

We issue specifications and standards regarding authorized Blue Martini Products and services to its franchisees through the Manual and other communications in writing or by email. We also issue specifications and standards regarding authorized Blue Martini Products to our designated and approved suppliers in writing or by email. We may modify these specifications and standards at any time but only after delivering written notification of the modifications and providing its franchisees or suppliers a reasonable amount of time to implement the modifications.

Revenue from Franchisee Purchases

In 2018, neither we nor any of our affiliates derived revenue, rebates or other material consideration as a result of required purchases or leases by Blue Martini live entertainment lounge franchisees.

Payments to us and purchases from designated vendors and approved suppliers (i) in establishing your Outlet will range from 70% to 80% of your total initial investment and (ii) in operating your Outlet will range from 90% to 95% of your total monthly expenses.

Cooperatives

We are not presently involved in any purchasing or distribution cooperatives.

Negotiated Purchase Arrangements

We may negotiate purchase agreements, including group rates and price terms with suppliers, for purchases of equipment and supplies (including print materials and merchandise) necessary for the operation of the Outlet. Presently, there are supply agreements in effect and you will be required to purchase approved supplies from approved distributors. These include suppliers of beverage products, the POS system, equipment, and services. We may collect and retain certain manufacturing allowances, marketing allowances, rebates, credits, monies, payments and benefits (collectively, "Allowances") offered to us or to our affiliates by manufacturers, suppliers and distributors based upon your purchases of products and other goods and services. These Allowances are or will be based on System-wide purchases of advertising, food, equipment, supplies, paper goods, merchandise and other items. In 2018 we did not receive any Allowances for sales to franchised outlets. In the future, we expect that Allowances may vary from supplier to supplier, and from product to product. We expect that in 2019 any Allowances we receive (except the "Placement Fees" described below) will be contributed to the Marketing and Promotion Fees, paid back to franchisees in the form of pro rata rebates, or used by us for brand enhancements and other activities related to promoting

the brand (such as image development, public relations, a secret shopper program, etc.). It is our present intention to contribute at least a portion of any future Allowances to the Marketing and Promotion Fees or use these monies in a manner that we believe will be in the interest of promoting or enhancing the Blue Martini brand, including, for example, promotions, merchandising, and menu and product developments. In addition to the Allowances described above, we may also receive fees or payments from one or more suppliers as consideration for negotiating deals with suppliers and/or designating a supplier as an approved supplier or as the sole approved supplier for a particular product or service ("Placement Fee"). During 2018 we did not receive any Placement Fees. During 2018, we did not receive any revenues from sales of products or services to franchisees.

Material Benefits Based on Franchisee Purchases

We do not provide any material benefits to you based on your purchase of particular products or services or your use of particular suppliers.

ITEM 9: FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise 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.

	Obligation	Section in franchise agreement	Disclosure document item
a.	Site selection and acquisition/lease	7.1, 7.2	6,11
b.	Pre-opening purchases/leases	7.2, 7.3	8
c.	Site development and other pre-opening requirements	7.1, 7.2	6, 7, 11
d.	Initial and ongoing training	6.1-6.4	11
e.	Opening	3.3, 7.2, 7.3	11
f.	Fees	4.1-4.7, 5.2, 6.2, 8.2(c), 12.2	5, 6
g.	Compliance with standards and policies/ operating manual	8.1-8.3	11
h.	Trademarks and proprietary information	8.8, 9.1-9.5	13,14
i.	Restrictions on products/services offered	3.2, 3.4, 8.1, 8.13	16
j.	Warranty and customer service requirements	3.3, 8.1	11
k.	Territorial development and sales quotas	Not applicable	12
l.	Ongoing product/service purchases	7.3	8
m.	Maintenance, appearance and remodeling requirements	5.2, 7.2, 8.5	11
n.	Insurance	8.10	7
o.	Advertising	4.3, 7.2, 7.3, 8.8, 8.13, 10.1, 10.2	6,11
p.	Indemnification	16.2	6
q.	Owner's participation/management/staffing	3.6, 6.1, 6.2, 8.1, 12.6	11,15
r.	Records and reports	8.7	6
s.	Inspections and audits	8.7, 8.11	6,11
t.	Transfer	12.1-12.7	17
u.	Renewal	5.2, 5.3	17
v.	Post-termination obligations	11.2, 15.1, 15.2	17
w.	Non-competition covenants	11.1-11.3	17
x.	Dispute resolution	14.1-14.5	17

	Obligation	Section in franchise agreement	Disclosure document item
y.	Compliance with anti-terrorism and other federal laws	16.12	Not applicable

ITEM 10: FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

ITEM 11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, we are not required to provide you with any assistance.

Our Pre-Opening Obligations

Before you open your business, we will:

(1) Designate your exclusive territory (see section 3.1 and Exhibit 1 of the Franchise Agreement).

(2) Provide you with initial training and orientation in the Blue Martini system and how to operate the Outlet (see section 6.1 of the Franchise Agreement and the Training Program described below in this Item 11). Your General Manager and Principal Equity Owners must successfully complete initial training to our satisfaction before you can open your Outlet.

(3) Provide you with a general plan for the layout, furnishing and equipping of your Outlet, together with a written schedule of all Blue Martini Products, and other foods, beverages and merchandise that must be sold at your Outlet and a list of approved and designated suppliers (see section 7.2(a) of the Franchise Agreement).

(4) Assist you in selecting a site for your Outlet. Although we do not typically pre-select the site for your Outlet, we must give our final consent to the location before your Outlet can be placed there (see section 7.2(a) of the Franchise Agreement). You and your landlord may be required by us to complete and sign a rider or addendum to the lease that (i) grants us an option to assume your position as lessee under the lease for the Outlet premises if you are in material default of either the lease for the Outlet premises (including an obligation of the landlord to notify us if you are in default) or the Franchise Agreement, and (ii) requires the landlord to fully cooperate with us in completing de-identification of the Outlet if the Franchise Agreement is terminated or expires without being renewed. The factors that we consider in consenting to a site for the Outlet include general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease or rental terms. We do not typically own and lease to you the premises on which the Outlet will be located. Our review and consent to the location of the Outlet is no guarantee or assurance that you will be successful there or anywhere else.

(5) Provide you with a copy of the confidential Manual (see section 7.2 of the Franchise Agreement).

Length of Time to Open the Outlet

We estimate the typical length of time between the signing of the Franchise Agreement (when you make your first payment to us for the franchise) and the opening of your Outlet will be 12 months. Factors that may affect this time period include the satisfactory completion of initial training by your designated attendees, location of an acceptable site, ability to obtain an appropriate lease, financing arrangements, compliance with zoning and local ordinances, weather conditions, shortages, the contractor's ability to complete construction of the Outlet, and delivery and installation of equipment, fixtures and signs. You have 180 days after signing the Franchise Agreement to locate an acceptable site for your Outlet, and we have 30 days after you propose this site to either consent to or disapprove the location (and if we disapprove, you must promptly propose an alternative location). If you are unable to locate an acceptable site within one year, we can cancel the Franchise Agreement and ADA (see section 7.2(a) of the Franchise Agreement). If we consent to the site for your Outlet but you do not begin operating your Franchised Business within 2 years after you sign the Franchise Agreement, we can cancel the Franchise Agreement (see section 7.2(a) of the Franchise Agreement).

Our Obligations during the Operation of the Franchise

During the operation of the franchised business, we:

(1) Will provide you with access to and integration of information about your Outlet into the Blue Martini website (see section 6.2(a) of the Franchise Agreement).

(2) Will be reasonably available by phone and e-mail for guidance in the operation and management of your Outlet (see section 6.2(a) of the Franchise Agreement). However, we do not provide you with assistance in hiring employees.

(3) May visit you periodically at no cost to you to provide additional sales and administrative review and assistance, including assistance with establishing and using administrative, bookkeeping, accounting and inventory control procedures. If you request this assistance and we agree to provide it, you must reimburse us for the cost of our representative's transportation and lodging. The nature, frequency and duration of this assistance by our representatives will be in our sole discretion. (See section 6.2 of the Franchise Agreement.)

(4) Will notify you if the general state of repair, appearance or cleanliness of your Outlet or its fixtures, equipment or signs do not meet our standards, and specify the action you must take to correct the deficiency (see section 8.11 of the Franchise Agreement).

(5) May conduct a system-wide mandatory meeting (or annual convention) not more than once a year in Southern Florida or other place in the United States. Attendance of at least one Principal Equity Owner at these meetings will be mandatory (and is highly recommended for other Principal Equity Owners). You must pay the cost of travel, hotel and meal expenses for your attendees at these mandatory meetings. (See section 6.3 of the Franchise Agreement.)

(6) May recommend prices for specific Blue Martini Products and other products and services we authorize for sale at your Outlet (to enhance uniformity in the delivery of goods and services to retail customers by our franchises and the strength of our Marks in inter-brand competition),

and if we do so, you may not advertise or promote (whether by telephone, printed materials or any other media, including, without limitation, social media) retail prices that are inconsistent with these recommended prices. Also, to the extent permitted by federal and state law applicable to the Outlet, we may designate maximum and minimum retail prices to be charged for Blue Martini Products. (See section 8.1(b) of the Franchise Agreement.)

Advertising Program for the Franchise System

Beginning on the opening date of your Outlet, you may be required to pay us a Marketing and Promotion Fee of 1% of your Gross Revenues (section 4.3(a) of the Franchise Agreement). We are not required to spend any Marketing and Promotion Fees in or near your Outlet, although we may do so. Marketing and Promotion Fees collected from Blue Martini franchisees will be spent for national and regional advertising and promotional campaigns designed to promote and enhance the value of the Blue Martini trademarks and their general public recognition and acceptance. At the current time we do not require that you pay the Marketing and Promotion Fee.

Marketing and Promotion Fees is not a trust and we assume no fiduciary duty in administering the Marketing and Promotion Fees. These fees will not be subject to audit and no interest on the amounts on deposit will be imputed for your benefit or paid to you. We administer the national advertising program and may receive a fee for doing so.

We will provide general advertising programs and sales promotion, campaign and sample advertising materials. You may develop advertising materials for your own use, at your own cost, but we must approve all advertising materials in advance and in writing and you may not use any advertising without our approval. Any advertising of your Outlet must be done in compliance with the applicable guidelines contained in the Manual.

We intend to use social media, television, regional and national marketing campaigns in our advertising efforts, and you must participate in Blue Martini system-wide social media programs. We reserve the right to use other media to market and promote the Blue Martini trademarks. We may be using in-house advertising personnel to do this, and we may hire advertising and public relations firms to assist us in these efforts.

We do not yet have a franchisee council that advises us on advertising policies, but we may establish one in the future, and if we do so, we will request input on advertising informally from franchisees.

We are not presently involved in any advertising cooperatives. However, we reserve the right to create advertising cooperatives in the future. If we do so, live entertainment lounges owned by us or our affiliates will contribute to the cooperative on the same basis as Blue Martini franchisees. We have the right to require cooperatives to change, dissolve or merge.

We require you to spend at least $15,000 on the Grand Opening Advertising and promotion event in connection with the opening of your Outlet sometime during the 30 days before and the 30 days after your Outlet opens (see section 4.3(c) of the Franchise Agreement). Also, beginning 30 days after your Outlet opens for business, we recommend that you spend at least

2% of your Gross Revenues on the local advertising and promotion of your Outlet (see section 4.3(d) of the Franchise Agreement).

On a national or regional basis, we may impose an assessment on all affected Blue Martini franchisees for special advertising or promotional activities if franchisees owning 2/3 of all affected franchised territories agree to this assessment, confirmed in writing by each franchisee (see section 4.3(e) of the Franchise Agreement).

Electronic Cash Registers and Computer Requirements

You must purchase and use in your Outlet the specified POS system we require (see section 8.4 of the Franchise Agreement). We currently require Aloha touch screen terminals and supporting Aloha software (including Radiant Security Services, Aloha Insight and Aloha Restore), check printers and remote printers and battery backups. We estimate the costs for this POS system telecommunications and supporting equipment and accessories to range from $40,000 to $80,000. You will use this POS system to complete point-of-sale transactions and track your weekly sales. We must have independent access through the Internet to your POS system, and there are no contractual limits on our independent access to the information and data stored on your POS system. You are responsible for all ongoing maintenance and repairs and upgrades. If we replace the POS system, you will receive a 90-day notice. We estimate that the annual cost of optional or required maintenance, updating, operating or support contracts regarding the POS system is $5,000 annually.

In addition to the POS System, you will be required to purchase, use and maintain a personal computer system (including all related hardware and software) as we may specify in the Manual or otherwise in writing for use in connection with the Outlet (the "Computer System"). We don't specify or recommend the brand or type of business computer you use. But if this changes, you will be notified. We also require you to maintain an e-mail account and connect the Computer System to a dedicated Internet line (or other communications medium we may specify) at all times and be capable of accessing the Internet via a third-party network we designate in the Manual or otherwise in writing. You must allow us to access your Computer System on a daily or other basis at the times and manner determined by us or our designated affiliate, with or without notice, and to retrieve transaction information (including sales, sales mix, usage and other operations data) that we deem appropriate. You must always have and maintain adequate anti-virus software in any computer you use to communicate with us directly or through our master website or intranet. (See section 8.4(b) of the Franchise Agreement.) We estimate that the annual cost of optional or required maintenance, updating, operating or support contracts regarding the Computer System is $2,500.

Operations Manual

We will provide you one copy of our Manual and other applicable manuals during the relevant phases of initial training (see section 8.2 of the Franchise Agreement). The Manual contains mandatory and suggested specifications, standards and procedures for operation of your Outlet.

We will modify the Manual, and you must comply with these changes when you receive them. This Manual is confidential and remains our property. If you lose or allow the unauthorized duplication of the Manual or any other confidential manuals or proprietary materials loaned to you

by us, you will be deemed to be in violation of this Agreement and all other agreements you have with us (see section 8.2 of the Franchise Agreement) and we would be entitled to recover damages from you).

The Tables of Contents of the Manuals as of the date of this disclosure document is attached as Exhibit F.

Currently, we have no policy under which we will render services to you not required by your Franchise Agreement (or other agreements with us) or the Manual.

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Orientation and Training Overview; Company Mission, Service Standards, Cornerstones, History & Goals; Menu Review; Franchisee Responsibilities, Brand Compliance (Vendors, Products) & Marketing	6	0	South Florida
Day to Day; Store Opening and Closing Procedures (Atmosphere Transitions); POS Training, Customer Service & Upselling, Order Standards, Manager Audit Card Review, Incidents, Store Maintenance and daily Cleaning Duties/Health Code Compliance	8	40	South Florida
BOH (back of House), Food Prep, Recipe Review, Inventory and Health Code Compliance	4	40	South Florida
Back Office Functions; Cost Analysis (food/beverage/labor), Reports, Accounting and Controls, Payroll and Scheduling	6	6	South Florida
Beverage; Ordering and Receiving, Storing and Rotating, Recipe Review and Product Knowledge, Sampling, Pour Cost Analysis, Inventory; Service Standards	8	40	South Florida
Business and Franchise Administration, Human Resources, Accounting, Royalty Reporting procedures, Financial Reporting requirements, Store Maintenance, Repairs and Maintenance, Business License and Permit Review, Local Store Marketing, Grand Opening, Social Media and Website	8	1	South Florida
Training Review, Testing and Wrap Up	1	5	South Florida
TOTAL	41	132	

*Training program hours may vary at the discretion of the franchisor.

The training program above is effective as of the date of this disclosure document. Initial training is typically provided within 30 days before your Outlet opens and is typically scheduled on a monthly basis. All classroom training takes place in south Florida, or another training center we designate. All on-the-job training takes place in a Blue Martini live entertainment lounge in south Florida.

The instructional material consists of appropriate handouts and information directly from the Manual. Currently, our principal instructor is Despina Modeen who has been with us since January 2014, and who has more than 14 years' experience in the food and beverage industry. The principal instructor is sometimes assisted by our operations staff and other employees.

The Initial Training Program is mandatory for your General Manager, Kitchen Manager and at least one of your Principal Equity Owners. The successful completion of initial training by your General Manager and designated Principal Equity Owner to our satisfaction is a condition to your opening of an Outlet to the public and must be fulfilled within 180 days after you sign the Franchise Agreement.

Additional on-site training at your Outlet may be provided when you open your Outlet. We may provide you with proprietary information and related materials for use in training your staff. These materials are our sole property and must be returned to us when you are finished with them. We will conduct both oral and practical evaluations and issue a Certificate of Completion upon successful completion at the conclusion of the training.

No additional training programs or refresher courses are required. However, you can request additional on-site training and/or assistance at any time. We may provide it at our option, but the Franchise Agreement does not require us to do so.

We may periodically conduct an annual conference, convention or training session, and if we do, we will determine its duration, curriculum and location (section 6.3 of the Franchise Agreement). Attendance of at least one Principal Equity Owner at these meetings will be mandatory (and is highly recommended for your General Manager and all other Principal Equity Owners).

You must pay all the expenses incurred by your trainees who are attendees in connection with the Initial Training Program and any other training, conferences, conventions or other meetings your trainees attend, including, for example, their salaries, transportation costs, meals, lodging and other living expenses (section 6.1(e) of the Franchise Agreement).

ITEM 12: TERRITORY

You will receive an exclusive territory ("Territory") within a defined area surrounding your Outlet based on population density (typically varying from 1/4 mile in densely populated urban areas to 10 miles in suburban areas) as we determine and as specified in your Franchise Agreement. By "exclusive territory," we mean that so long as you continue to fulfill your material obligations under your Franchise Agreement (as reasonably determined by us), we will not grant a Blue Martini live entertainment lounge franchise to any other person nor will we or any of our affiliated entities operate a live entertainment lounge within your Territory. You will receive an exclusive territory, but you may face competition from other channels of distribution or competitive brands that we control.

You may relocate your Outlet with our written consent, which will not be unreasonably withheld. Not less than 90 days before the desired date of relocation (unless prior notice is impractical because of a required relocation in which event your notice must be given as soon as possible),

you must make a written request for consent to relocate, describing the reasons for the relocation and providing complete written details respecting any proposed new location. Within 20 business days after we receive your request, we will either approve or disapprove in writing such closure or relocation in our sole discretion. If we disapprove of a proposed relocation, you may request an alternative proposed new location.

If you enter into an ADA, you will be granted an exclusive (so long as the ADA is in effect) right to open a mutually agreed number of additional Outlets under a mutually agreed development schedule. If you fail to achieve the development schedule, you may still open Outlets within the development area but will lose the exclusive right to do so, and we may allow others to open additional Outlets within the development area. You must enter into a separate Franchise Agreement for each additional Outlet you open under the ADA, and these agreements will grant a separate franchise territory within a defined area surrounding each Outlet. Otherwise, we do not grant you options, rights of first refusal or similar rights to open additional Outlets under the Franchise Agreement or the ADA, and you may not open additional Blue Martini live entertainment lounge businesses or otherwise engage in activities equivalent to the franchised business outside the Territory.

We reserve the right to develop other systems involving similar or dissimilar services or goods, under dissimilar service marks, trademarks and trade names belonging to us, without necessarily granting you any rights in those systems. We reserve all rights to market and sell Blue Martini Products under our principal trademarks or different trademarks at venues other than Outlets and through other channels of distribution (including the Internet) anywhere (including within your Territory). We are not required to pay you compensation for soliciting or accepting orders in your Territory at venues other than Outlets or through other channels of distribution.

You may only offer and sell Blue Martini Products to customers at your Outlet, and you are restricted from advertising Blue Martini Products outside your Territory without our prior written consent. You may not engage in any mail order solicitations, catalog sales, telemarketing or television solicitation programs, or use any other advertising media outside of your territory without our prior written approval. Also, you may not offer or sell Blue Martini Products directly or indirectly through the Internet, except as authorized by us in the Manual or otherwise in writing. We will publish all website content and we will list your Outlet location on our master web site. We will maintain the "Uniform Resource Locator" (or "URL") for the Blue Martini website, and you may never own any Internet domain name that contains any of the Marks. Under no circumstances are you authorized to establish your own personal websites (except social media sites) for the purpose of advertising your Outlet or our principal trademarks.

Although we have no current plans to do so, we and our affiliated companies reserve the right to offer and sell other types of franchises that are not directly competitive with the Blue Martini franchise.

The continuation of your exclusive franchise rights to the Territory requires your Outlet to earn at least $2,000,000 in annual Gross Revenues in the second full calendar year after the Opening Date and in each calendar year after that. If you fail to achieve and maintain this amount of annual Gross Revenues, your franchise rights to the Territory will become non-exclusive, and we may then locate Outlets owned by us or other franchisees in your Territory.

The Territory granted by the Franchise Agreement may not be altered except if you and we mutually agree. You will maintain rights to your Territory even if the population there increases.

ITEM 13: TRADEMARKS

You are licensed to operate and identify the Outlet under the principal trademark "Blue Martini" (which is owned by our affiliate company Blue Martini Founders, LLC), logotype displayed on the cover of this disclosure document and other current or future trademarks. The principal trademark "Blue Martini" (with initial martini glass design) was registered (for restaurant and bar services) with the United States Patent and Trademark Office ("USPTO"), on March 2, 2004, registration number 2819726, and renewed on March 22, 2014. The principal trademark "Blue Martini" (with modified martini glass design), and the one to be used by Blue Martini franchisees, was registered (for restaurant and bar services) with the USPTO, on July 22, 2008, registration number 3470058. The principal trademark "Blue Martini" (with horizontal design) was registered (for bar and cocktail lounge services, restaurant and bar services and serving of food and drink/beverages) with the USPTO, on January 17, 2012, registration number 4086825. The principal trademark "Blue Martini" (words alone) was registered (for restaurant and bar services) with the USPTO, on December 10, 2013, registration number 4446285.

There are presently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, nor any pending interference, opposition or cancellation proceedings involving our trademarks. There are no agreements currently in effect that significantly limit our rights to use or license the use of trademarks listed in this Item in a manner material to the franchise. There is no pending material federal or state court litigation regarding our use or ownership rights in the trademarks. All required affidavits have been filed.

All trademarks are owned by our affiliated company Blue Martini Founders, LLC, which granted us a trademark license (the "Trademark License") and right to use the principal trademark and related trademarks, service marks, trade names, logos and symbols (collectively the "Marks") related to Blue Martini and to grant licenses to use the Marks to Blue Martini franchisees. The Trademark License will continue until it is terminated. If the Trademark License were to be terminated, Blue Martini franchisees would have the right to continue to use the Marks while operating their franchised Outlets under their Franchise Agreements for not less than the existing term of the Franchise Agreement. Except as described above, no agreements limit our rights to use or license the use of the trademarks.

You must follow our rules when you use the Marks. You cannot use our principal trademark as part of a corporate name or with modifying words, designs or symbols, except for those which we license to you. You may not use the trademarks in connection with the sale of any unauthorized product or service, or in any manner we have not authorized in writing.

We have the right to control any administrative proceedings or litigation involving a trademark licensed to you by us. You must notify us promptly when you learn about an alleged infringement, unfair competition, unauthorized third party use of or challenge to your use of the trademarks. We then will promptly take the action we think appropriate. We will indemnify you for any action against you by a third party based solely on alleged infringement, unfair competition or similar claims about the trademarks. We have no obligation to defend or indemnify you if the claim against you relates to your use of the trademarks in violation of the Franchise Agreement. If you

learn that any third-party whom you believe is not authorized to use our trademarks is using them or any variant of them, you must promptly notify us. We will determine whether or not we wish to take any action against the third party.

You must modify or discontinue the use of a trademark if we modify or discontinue it. You must not directly or indirectly contest our rights to the trademarks, trade secrets or business techniques that are part of our business.

Except for the proprietary rights of Blue Martini Founders, LLC in the Marks, there are no infringing uses or superior previous rights known to us that can materially affect your use of the Marks in this state or any other state in which the franchised business is to be located.

ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents and Copyrights

On January 3, 2014, our related company, Blue Martini Founders, LLC registered its publication "Blue Martini Spec Booklet 2014" with the Copyright Office of the Library of Congress, registration number TXu001897891. Otherwise, neither we nor any of our affiliates own rights in, or licenses to, patents or copyrights that are material to the franchise, and you do not receive the right to use any item covered by a patent or copyright. However, we assert a common law copyright on the contents of the Manual (which is described in Item 11 of this disclosure document), and only you or your authorized employees can have access to and use the proprietary information in the Manual. Item 11 also describes limitations on the use of this Manual by you and your employees.

Our and Blue Martini Founders, LLC's intellectual property, whether the subject of a patent, copyright or not, also is protected by common law principles which limit the use of our confidential proprietary information, except as we have licensed it. We will enforce those rights as we determine.

Our Proprietary Rights in Other Confidential Information

You may never reveal any of our confidential proprietary information or trade secrets to another person or use it for another person or business. You may not copy any of our confidential proprietary information or disclose it to a third party except as we authorize. You must also promptly tell us when you learn about unauthorized use of any of our confidential proprietary information. We are not obligated to take any action but will respond to your notification of unauthorized use as we think appropriate.

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

We are seeking franchisees having at least one Principal Equity Owner who plans to actively participate in the direct management and operation of your Outlet. Additionally, as disclosed in section 8.1(a) of the Franchise Agreement, you must employ at least one designated General Manager (if you are a sole proprietor, this could be you) who has successfully completed our initial training program. You must disclose the identity of the General Manager to us, and if he

or she is for any reason no longer acting as General Manager, you must notify us immediately and in writing. Neither the General Manager nor any Principal Equity Owner may have an interest or business relationship with any of our business competitors. The General Manager must devote his or her full time during normal business hours to the management, operation and development of the Franchised Business. We do not require your General Manager to have any ownership interest in your business, although he or she may do so. The General Manager and other key employees of the franchised Blue Martini live entertainment lounge may be required to sign a non-competition agreement similar to the non-competition agreement contained in your Franchise Agreement.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell at your Outlet only Blue Martini Products and other goods and services that we designate as required for all franchisees or have approved.

We have the right to change and add other authorized goods and services that you will be required to offer. There are no limits on our right to do so except that the additional investment required of you for equipment, supplies and additional inventory will not exceed $150,000 per year.

There are no restrictions on the customers to whom you may sell Blue Martini Products and related products at your Outlet.

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	Section in franchise agreement	Section in area development agreement	Summary
a.	Length of the franchise term	5.1	1.3	The initial term of the Franchise Agreement is 10 years from the opening date of the Outlet. The term of the ADA is until all Outlets have been opened under the Development Schedule.
b.	Renewal or extension of the term	5.2	Not Applicable	You can add additional 5-year terms upon written notice delivered to us not less than 120 days before the end of the existing term. However, we are not obligated to renew your Franchise if one or more of the conditions in section 5.2(c) of the Franchise Agreement apply to you.

	Provision	Section in franchise agreement	Section in area development agreement	Summary
c.	Requirements for franchisee to renew or extend	5.2	Not Applicable	Sign Renewal Franchise Agreement (or addendum to existing Franchise Agreement extending its term), remodel your Outlet (if necessary), pay the renewal fee and sign mutual release. The Renewal Franchise Agreement may have materially different terms and conditions than your original Franchise Agreement, but the boundaries of the Territory and the recurring fees you pay us will remain the same.
d.	Termination by franchisee	13.1	1.3	If we are in material breach, you can terminate your Franchise Agreement and ADA.
e.	Termination by franchisor without cause	Not applicable	Not applicable	Not applicable.
f.	Termination by franchisor with cause	13.1-13.11	6.1	We can terminate your Franchise Agreement or ADA only if you are in default of a material term of the agreement.
g.	"Cause" defined – curable defaults	13.3	6.1	You have 14 days after notice to cure monetary defaults and 30 days for other defaults that can be cured.
h.	"Cause" defined – non-curable defaults	13.2	Not Applicable	Non-curable defaults: your bankruptcy or insolvency; your abandonment of the franchised business; you make material misrepresentations relating to your acquisition of the Franchise or you engage in conduct that reflects materially and unfavorably upon the operation and reputation of the Franchised Business or the System; you fail, for a period of 10 days after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operation of the Franchise; after curing any default, you engage in the same noncompliance whether or not such noncompliance is corrected after notice; you repeatedly fail to comply with one or more material requirements of the Franchise Agreement, whether or not corrected after notice; the Franchised Business or your Outlet is seized, taken over, or foreclosed by a government official, creditor, lien holder or lessor, or that a final judgment against you remains unsatisfied for 30 days; you are convicted of a felony or any other criminal misconduct that is relevant to the operation of the Franchise; we make a reasonable determination that your continued operation of the Franchise will result in an imminent danger to public health or safety; or your financial condition is impaired to the point that it is reasonable to conclude that you will not be able to fully discharge your obligations under this Agreement and that impairment continues for at least 30 days.

	Provision	Section in franchise agreement	Section in area development agreement	Summary
i.	Franchisee's obligations on termination or non-renewal	15.1	6.1, 6.2	Obligations include removal of our Brand and other trademarks, return of all proprietary information and erasure of all copies of proprietary information, forwarding of telephone number and payment of amounts due (also see r, below).
j.	Assignment of contract by franchisor	12.1	4.1	No restriction on our right to assign. (However, no assignment will be made except to an assignee that in good faith and judgment of the franchisor is willing and financially able to assume our obligations as franchisor under the Franchise Agreement.)
k.	"Transfer" by franchisee – defined	12.2	4.2	Includes transfer of contract or assets or ownership change.
l.	Franchisor's approval of transfer by franchisee	12.2	4.1	We have the right to approve all transfers (including transfers of 100% of the equity interest in a franchisee entity), but we will not unreasonably withhold approval.
m.	Conditions for franchisor approval of transfer	12.2	4.1	New franchisee qualifies, transfer fee paid, purchase agreement approved, training arranged, release signed by you, and current agreement signed by new franchisee (see r. below). Within 60 days after our receipt of all necessary information and documentation required under the Franchise Agreement, or as specified by written agreement between us and you, we will notify you of the approval or disapproval of the proposed transfer of the Franchise by you This notice will be in writing and delivered to you by business courier.
n.	Franchisor's right of first refusal to acquire franchisee's business	12.3	Not Applicable	We can match any legitimate offer for your business, but we have no right of first refusal if the transfer is (i) between or among individuals (including their immediate family members) who have guaranteed obligations under a Small Business Administration loan or (ii) a transfer of less than 100% of the equity interest of a franchisee entity).

	Provision	Section in franchise agreement	Section in area development agreement	Summary
o.	Franchisor's option to purchase franchisee's business	15.2(d), 15.3	Not Applicable	Within 30 days after the termination, expiration or non-renewal of the Franchise Agreement, we have the option, but not an obligation, to purchase all or any portion of your reusable inventory, apparel containing the Marks, proprietary equipment, parts, fixtures and furnishings owned and used by you in your franchised operation. Also, if the controlling equity ownership interest in our franchisor entity is transferred to third parties (either by reason of a private sale or an initial public offering), we have the option, exercisable by giving you written notice of exercise within 60 days after the effective date of transfer of the controlling equity ownership interest in our franchisor entity, to purchase from you and your Principal Equity Owners all the assets of the Outlet and assume all of your agreements (including any lease or rental agreement) relating to the Outlet, for a price equal to four times your Outlet's earnings before interest, taxes, depreciation or amortization ("EBITDA") during the 12 full calendar months before the effective date of our purchase of assets (or if the Outlet has been open less than 12 months, the greater of (i) four times your Outlet's EBITDA since the Opening Date or (ii) repayment of your verified costs incurred to build out your Outlet).
p.	Death or disability of franchisee	12.6	Not Applicable	The Franchise must be assigned by estate to approved buyer within 270 days.
q.	Non-competition covenants during the term of the franchise	11.1, 11.3	5.1	No involvement in competing business anywhere.
r.	Non-competition covenants after the franchise is terminated or expires	11.2, 11.3	5.1	No competing business for 1 year within 25 miles of your Outlet or any other Blue Martini retail business (this obligation also applies to you if you assign your franchise). The ADA refers to the non-competition covenant in the last Franchise Agreement you signed.
s.	Modification of the agreement	8.2, 16.14(c)	9.2	No modifications generally, but Manual subject to change.
t.	Integration/merger clause	16.14	9.11	Only the terms of the franchise agreement are binding (subject to state and federal law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.

	Provision	Section in franchise agreement	Section in area development agreement	Summary
u.	Dispute resolution by arbitration or mediation	14.1-14.5	7.1	Except for certain claims, the parties agree in the Franchise Agreement to submit disputes initially to mediation before a neutral mediator appointed with your approval by JAMS, Inc. ("JAMS") under its mediation guidelines. If the mediation proceeding does not result in a settlement, the dispute must then be resolved by arbitration before one arbitrator from JAMS in accordance with its Streamlined Arbitration Rules and Procedures (if the amount in controversy is less than $250,000) or its Comprehensive Arbitration Rules and Procedures (if the amount in controversy is $250,000 or more). Or if the parties mutually agree, the dispute may be submitted to arbitration by another arbitration organization providing arbitrators with experience in franchise disputes.
v.	Choice of forum	14.1-14.3	7.1	Mediation proceedings must take place in Palm Beach County, Florida. Arbitration proceedings must take place in Miami, Florida. Litigation will be conducted in an appropriate court in Florida.
w.	Choice of law	16.13	9.1	The Federal Arbitration Act (9 U.S.C. §1 *et seq*.) governs the arbitration of disputes under the Franchise Agreement and ADA. Otherwise, the laws of Florida govern the Franchise Agreement and the ADA.

ITEM 18: PUBLIC FIGURES

We do not currently pay or provide any other benefit to any other public figure for the right to use his or her name to promote the sale of Blue Martini live entertainment lounge franchises.

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.

We do not make any representation about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. 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 our CEO, Mr. Mark Vasu, Blue Martini Franchising, LLC, 477 South Rosemary Avenue, Suite 224, West Palm Beach, Florida 33401-5758, (561) 820-8071; the Federal Trade Commission; and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary For years 2016 to 2018[1]

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2016	0	1	+1
	2017	1	0	-1
	2018	0	1	+1
Company-Owned	2016	12	12	0
	2017	12	11	-1
	2018	11	9	-2
Total Outlets	**2016**	**12**	**13**	**+1**
	2017	**13**	**11**	**-2**
	2018	**11**	**10**	**-1**

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

State	Year	Number of Transfers
Totals	**2016**	**0**
	2017	**0**
	2018	**0**

Table No. 3
Status of Franchised Outlets For years 2016 to 2018[1][2]

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Louisiana	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
Puerto Rico	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	1	0
	2018	0	0	0	0	0	0	0
	2016	**0**	**1**	**0**	**0**	**0**	**0**	**1**
	2017	**1**	**0**	**0**	**0**	**0**	**1**	**0**
Totals	**2018**	**0**	**1**	**0**	**0**	**0**	**0**	**1**

Table No. 4
Status of Company-Owned Outlets For years 2016 to 2018[1]

State or Country	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Arizona	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
Florida	2016	8	0	0	0	0	8
	2017	8	0	0	1	0	7
	2018	7	0	0	1	0	6
Louisiana	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	1	0
Nevada	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
Texas	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
Totals	**2016**	**12**	**0**	**0**	**0**	**0**	**12**
	2017	**12**	**0**	**0**	**0**	**0**	**12**
	2018	**12**	**0**	**0**	**2**	**1**	**9**

Table No. 5
Projected New Franchised Outlets As Of December 31, 2018

State or Country	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	0	0
Illinois	0	1	0
Georgia	1	0	0
Totals	**1**	**1**	**0**

NOTES TO ITEM 20 TABLES:

(1) The Louisiana franchise operates under a licensing agreement with Blue Martini Founders LLC, not with Blue Martini Franchising LLC.

(2) The Puerto Rico outlet closed due to a hurricane.

Exhibit C lists the names, addresses and telephone numbers of all Blue Martini franchise outlets, and the names and telephone numbers of any franchisees that have signed franchise agreements but not yet opened their outlets, as of December 31, 2018.

Exhibit D lists the contact information of every franchisee that had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under its franchise agreement during our most recently completed fiscal year, or that has not communicated with us within the 10 weeks ending on the date of this disclosure document. Your contact information may be disclosed if you buy this franchise and then later leave the system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experiences with Blue Martini live entertainment lounges. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you. However, during the last 3 fiscal years, we have not signed any agreements with current or former franchisees that included confidentiality clauses.

We have not created, sponsored or endorsed any trademark-specific franchisee organizations associated with the Blue Martini franchise system being offered. There are no independent franchisee organizations that have asked to be included in this disclosure document.

ITEM 21: FINANCIAL STATEMENTS

Exhibit E to the disclosure document contains the following:

1. Our audited financial statements as of December 31, 2018 and 2017 and for our fiscal years ended December 31, 2018, 2017 and 2016.

Our fiscal year end date is December 31.

ITEM 22: CONTRACTS

Exhibit A - Franchise Agreement
Exhibit B - Area Development Agreement

ITEM 23: RECEIPTS

The last two pages of this disclosure document are detachable receipt pages. Please sign and date each of them as of the date you received this disclosure document, return one copy to us and retain the other for your records.

BLUE MARTINI

EXHIBIT A: FRANCHISE AGREEMENT

BLUE MARTINI

FRANCHISE AGREEMENT

For:_____

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FRANCHISE AGREEMENT

This Franchise Agreement ("Agreement") is made and entered into as of _____, 20__ (the "Effective Date"), by and among Blue Martini Franchising, LLC, a Florida limited liability company, doing business as Blue Martini live entertainment lounges ("BMF", "we", "us" or "our"), and _____ ("you" or "your"), and (if you are not a sole proprietorship) each person owning 20% or more of your entity, who will sign and be a party to this Agreement (in such context, "Principal Equity Owner"), with reference to the following facts:

RECITALS

An entity affiliated with us (the "Owner of the Marks") owns the Blue Martini trademarks, service marks and other intellectual property and all rights in respect thereof. The Owner of the Marks has authorized us to license them to Blue Martini franchisees.

You desire to be franchised and licensed by us to use our "System" (as defined in Article I below), "Marks" (as defined in Article I below) and goodwill to conduct the "Franchised Business" (as defined in Article I below) from a specific "Outlet" (as defined in Article I below and identified in Exhibit 1 attached).

We are willing to grant you a "Franchise" (as defined in section 3.1 hereof), in accordance with the provisions of this Agreement and the Confidential Operations Manual.

I. DEFINITIONS

Abandoned. The term "Abandoned" means cessation of operation of the Franchised Business for a period of five consecutive business days, without our prior written consent. A repeated pattern of inactivity at your Outlet for periods of less than five consecutive business days may result in your Franchised Business being deemed Abandoned if in our judgment such inactivity adversely impacts the Franchised Business. However, your Franchised Business will not be deemed Abandoned if the inactivity is due to natural disasters or other matters reasonably beyond your control, provided that you give us notice of any such closure within five business days after the initial occurrence of the event resulting in such inactivity, and we acknowledge in writing that such inactivity is due to one of the foregoing causes, and provided further that you re-establish the Franchised Business and be fully operational within 180 days after the initial occurrence of the event resulting in such inactivity or such longer period as we may permit.

Anniversary Year. The term "Anniversary Year" means the 12-month period between the "Opening Date" (as defined below in this Article I) and the first anniversary thereof and between each succeeding anniversary.

Assign. The term "Assign" means to sell, transfer, convey or give away, voluntarily or involuntarily, by operation of law or otherwise.

Blue Martini Products. The term "Blue Martini Products" means specialty martinis, proprietary alcoholic beverages and proprietary "Blue Food" menu items.

Confidential Operations Manual. The term "Confidential Operations Manual" means the manual or manuals (regardless of title) containing our trade secrets and the policies and procedures to be adhered to by you in performing under this Agreement, including all amendments and supplements thereto provided to you from time to time.

Control. The term "Control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise.

Consumer Price Index or CPI. The term "Consumer Price Index" or "CPI" means the annual average of the Consumer Price Index for All Urban Consumers, published by the Bureau of Labor Statistics of the United States Department of Labor (or the highest similar future index if these figures become unavailable).

Franchised Business. The term "Franchised Business**"** means the sale of “Blue Martini Products” (as defined in this Article I) and other goods and services at the Outlet and in catering events that we authorize in the Confidential Operations Manual pursuant to the System and other business methods and procedures set forth by us for the operation and marketing of an Outlet within the “Territory” (as defined in this Article I).

Gross Revenues. The term "Gross Revenues" means all revenues, however generated or received, that are derived by you from operating the Franchised Business at or through your Outlet, excluding only applicable sales or use taxes and legitimate refunds, and not modified for uncollected accounts.

Initial Training. The term "Initial Training" means training in the System provided by us, as described in and required by section 6.1 hereof.

General Manager. The term "General Manager" means the individual (may be a Principal Equity Owner) that has been designated by you as the person responsible for the day-to-day operation of the Outlet, and who has successfully completed "Initial Training" (as defined in this Article I).

Marks. The term "Marks" means the proprietary marks that are associated with the System and associated designs in respect of which registrations have been obtained from or applied for with the United States Patent and Trademark Office, as well as all common law trademarks and service marks, trade names, logos, insignias, designs and other commercial symbols which we now or hereafter are authorized to use and use or authorize others to use to identify the Franchised Business.

Opening Date. The term "Opening Date" means the day you open your Outlet, furnished, inventoried and equipped in accordance with our requirements, and you begin operating the Franchised Business at your Outlet.

Outlet. The term "Outlet" means a restaurant, bar and live entertainment venue that BMF has consented to which is exclusively dedicated to the operation of the Franchised Business under the Marks and in accordance with the System.

Proprietary Information. The term “Proprietary Information” means all non-public information, knowledge, know-how and technologies that we designate as confidential, proprietary or trade secrets, including the Confidential Operations Manual, recipes, formulas, processes, procedures, business formats, business systems, financial information, marketing strategies and programs, operational techniques, service concepts, artwork, e-mail, electronic media, graphics, layouts, slogans, names, titles, text, bulletins, instruction sheets, or supplements thereto, and any proprietary equipment, videotapes, videodiscs, forms, advertising matter, the Marks, devices, insignias and designs.

System. The term "System" means comprehensive marketing and operational systems prescribed by us to be used in the conduct of the Franchised Business, as set forth in this Agreement and the Confidential Operations Manual. The System includes (i) the Marks, (ii) know-how relating to Blue Martini Products, (iii) advertising, marketing and sales programs and techniques, (iv) training programs, and (vi) related materials, artwork, graphics, layouts, slogans, names, titles, text and other intellectual property that we make available to you. In our sole discretion, we may improve or change the System from time to time (including but not limited to adding to, deleting or modifying elements of the System and amending the Confidential Operations Manual) for the intended purpose of making the System more effective, efficient, economical or competitive; adapting to or taking advantage of competitive conditions, opportunities, technology, materials or local marketing needs and conditions; enhancing the reputation or public acceptance of the System; or better serving the public.

Territory. The term "Territory" means the designated and agreed geographical area surrounding your Outlet as set forth in Exhibit 1 attached hereto.

Trade Dress. The term “Trade Dress" means the unique and distinctive layout, design and color schemes relating to the Outlet, and the textures, sizes, designs, shapes, and placements of words, graphics, and decorations on products and packaging related to Blue Martini Products.

II. THE FRANCHISED BUSINESS

2.1 Our Business.

We are engaged in the administration, development, operation and licensing of businesses that operate Outlets offering the Franchised Business, using the Marks, operational techniques, service concepts and proprietary information owned or authorized to be used by and identified with BMF and our affiliated companies. Our activities in general, and our system (including proprietary products and services; logos; equipment and operations; designs and layouts for the Outlets; marketing and advertising, specialty retail items and promotional activities) are undertaken to develop, maintain and enhance the Marks and our business reputation.

2.2 The Franchise System.

As a result of our expenditure of time, skill, effort and money, we have developed and supervise the franchise System under the Marks operated in accordance with the provisions of this Agreement and our Confidential Operations Manual, as amended from time to time.

III. GRANT OF FRANCHISE

3.1 Grant of Franchise; Performance Threshold.

(a) By our respective signatures below, we hereby grant to you, and you hereby accept, a license ("Franchise") to participate in and use the System by conducting the Franchised Business at your Outlet within your Territory as described in Exhibit 1 attached hereto, in strict accordance with this Agreement and the Confidential Operations Manual, from the time of commencement of the Franchised Business until the end of the term hereof and any additional term unless sooner terminated. So long as you comply with this Agreement, we will not authorize another Blue Martini franchisee to operate, or operate ourselves, a Blue Martini Outlet in your Territory.

(b) The continuation of your exclusive franchise rights to the Territory requires your Outlet to earn at least $2,000,000 in annual Gross Revenues in the second full calendar year after the Effective Date and in each calendar year after that. If you fail to achieve and maintain this amount of annual Gross Revenues, your franchise rights to the Territory will become non-exclusive and we may then locate Outlets owned by us or other franchisees in your Territory.

(c) You acknowledge that we may have granted and may in the future operate or grant other licenses and franchises outside the Territory. YOU MAY NOT USE OUR MARKS, OPERATIONAL TECHNIQUES, SERVICE CONCEPTS OR PROPRIETARY INFORMATION IN CONNECTION WITH ANY BUSINESSES OR SERVICES OTHER THAN THE FRANCHISED BUSINESS AT THE OUTLET WITHOUT OUR EXPRESS PRIOR WRITTEN PERMISSION, WHICH PERMISSION, IF GRANTED, WILL BRING SUCH BUSINESSES OR SERVICES WITHIN THE SCOPE OF THE FRANCHISED BUSINESS AND SUBJECT REVENUES THEREFROM TO PAYMENT OF ROYALTY AND MARKETING AND PROMOTION FEES.

3.2 Reserved Rights.

(a) Nothing contained herein accords you any right, title or interest in or to the Marks, System, marketing and operational techniques, service concepts, proprietary information or goodwill of ours, except such rights as may be granted hereunder. **THIS AGREEMENT GRANTS YOU ONLY THE RIGHT TO OPERATE THE FRANCHISED BUSINESS AT YOUR OUTLET AND NOWHERE ELSE UNLESS WE**

SPECIFICALLY ALLOW YOU TO OFFER Blue Martini PRODUCTS ELSEWHERE. ALL OTHER RIGHTS ARE RETAINED BY AND RESERVED TO BMF.

(b) We reserve the right to develop other systems involving similar or dissimilar services or goods, under dissimilar service marks, trademarks and trade names belonging to us, without necessarily granting you any rights in those systems. We reserve all rights to market and sell Blue Martini Products at venues other than Outlets and through other channels of distribution anywhere, including within your Territory.

3.3 Promotion and Development of Your Outlet.
You must (i) diligently and effectively promote, market and engage in the Franchised Business at your Outlet; (ii) develop, to the best of your ability, the potential for future Franchised Business within your Territory; and (iii) devote and focus a substantial portion of your attentions and efforts to such promotion and development.

3.4 Extent of Grant.

(a) You understand and agree that you are licensed hereby only for the operation of your Franchised Business at and from your Outlet and only within your Territory (unless we specifically agree otherwise on a case by case basis). You must offer and sell at your Outlet and in your Territory only Blue Martini Products and other goods and services that we designate as required or approved for all franchisees. BMF has the right to change and add other authorized goods and services that you will then be required to offer. There are no limits on our right to make changes to the offerings, except that the additional investment required of you for equipment, supplies and inventory will not exceed $50,000 in any 12 consecutive months.

(b) You may not sublicense, sublease, subcontract or enter any management agreement providing for, the right to operate the Franchised Business or to use the System granted pursuant to this Agreement.

3.5 Electronic Execution and Copies.

(a) An executed copy of this Agreement (or any portion of this Agreement) may be delivered by any of the parties by facsimile, electrical, digital, magnetic, optical, electromagnetic, or similar capability regardless of the medium of transmission (any such medium is referred to in this and the following section as "electronic"), and such delivery will be effective and binding upon such party, and will not in any way diminish or affect the legal effectiveness, validity or enforceability of this Agreement.

(b) You acknowledge and agree that we may create an electronic record of any or all agreements, correspondence or other communication between us or involving third parties, and those we may thereafter dispose of or destroy the original of any such document or record. Any such electronic record will be inscribed on a tangible medium or stored in an electronic or other medium and be retrievable in perceivable form and will be maintained in and readable by hardware and software generally available. You agree that, notwithstanding any statute, regulation or other rule of law to the contrary, any such electronic version of this or any other agreement or correspondence between the parties will have the same legal effect, validity and enforceability as an original of any such document, even if the original of such document has been disposed of or intentionally destroyed.

3.6 Obligations of Entity Franchisee.

(a) If you are an entity, you must provide us at the Effective Date with a copy of your entity's organizational document and any by-laws, operating agreement or other agreement among the equity owners.

(b) As a condition to entering into the Franchised Business, if you are an entity, you must place the following legend on all certificates evidencing an equity interest:

"THE TRANSFER OF THE EQUITY INTEREST IN THE COMPANY REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS OF A FRANCHISE AGREEMENT DATED _____, 20__ BETWEEN THIS COMPANY AND BLUE MARTINI FRANCHISING, LLC.

REFERENCE IS MADE TO SUCH FRANCHISE AGREEMENT AND THE RESTRICTIVE PROVISIONS CONTAINED THEREIN AND AS MAY BE OTHERWISE SET FORTH IN THE FORMATIONAL AND GOVERNING DOCUMENTS OF THIS COMPANY."

IV. PAYMENTS BY YOU

4.1 Initial Franchise Fee.

(a) The "Initial Franchise Fee" for a single franchised Outlet is $50,000. The Initial Franchise Fee is due and payable in full, by check, money order or wire transfer to our bank account, when you sign this Agreement. **The Initial Franchise Fee is fully earned by BMF when paid.**

(b) If before your successful completion of initial training, we decide, in our sole discretion, that you should not operate a Blue Martini business, or if you do not propose an acceptable location for your Outlet within 360 days after the Effective Date (see section 7.2 below), we may cancel this Agreement. If we cancel this Agreement for either of those reasons, upon execution of a mutual release, we will refund the Initial Franchise Fee you have paid, less any expenses we incurred in processing your Franchise and this Agreement. **Otherwise, the Initial Franchise Fee is not refundable.**

4.2 Royalty.

(a) Beginning on the Opening Date, you must pay us a "Royalty" of 5% of the Gross Revenues received by you during every week period beginning on a Monday and ending on the following Sunday (7 days).

(b) Royalties are due and paid by an electronic funds transfer ("EFT") sweep of your operating account on every TUESDAY (following the previous week period in which applicable Gross Revenues were received).

4.3 Marketing, Advertising and Promotion.

(a) Beginning on the Opening Date, you may be required to pay us a "Marketing and Promotion Fee" of 1% of the Gross Revenues received by you during every week period beginning on a Monday and ending on the following Sunday 7 days).

(b) Marketing and Promotion Fees are due and paid by an EFT sweep of your operating account on every Tuesday (following the previous week period in which applicable Gross Revenues were received).

(c) Within the first 30 days after the Opening Date, you must spend in your Territory at least $15,000 on the grand opening advertising and promotion of your Outlet, using the grand opening advertising and promotional program that we approve.

(d) During the next five years after you complete the grand opening advertising and promotion of your Outlet under section 4.3(c) above, you must spend at least 3% of your monthly Gross Revenues on the local marketing, advertising and promotion of your Outlet, using marketing and promotional materials pre-approved or otherwise authorized in writing by us.

(e) On a regional or system-wide basis, we may impose an additional assessment upon affected franchisees for special designated advertising or promotional activities if two-thirds of all affected Blue Martini franchised outlets agree to such additional assessment by affirmative vote.

(f) With respect to regional or system-wide advertising, including without limitation advertising done as a result of Marketing and Promotion Fee contributions, we determine the cost, form of media, content, format, production, timing (including regional or local concentration and seasonal exposure), location and all other matters relating to advertising, public relations and promotional campaigns.

4.4 Electronic Funds Transfer.
We require payment of the Royalty and Marketing and Promotion Fees by an EFT sweep of your operating account through the Automated Clearing House ("ACH") electronic network for financial transactions, or such other automatic payment mechanism that BMF designates directly from your account into our operating account. Accordingly, you must execute or re-execute and deliver to us bank-required pre-authorized check forms and other instruments or drafts to enable us to draw directly from your bank account your Royalty and Marketing and Promotion Fees and other sums payable under the terms of this Agreement. We may also require you to maintain (i) a single bank account for EFT payments and (ii) a minimum balance in such account as we may reasonably specify from time to time. You must not alter or close such account except upon our prior written approval. Any failure of yours to implement such EFT system in strict accordance with our instructions will constitute a material default of this Agreement.

4.5 Fees Fully Earned; No Setoff on Payments.
All payments made by you to us pursuant to this Article IV are fully earned and non-refundable when paid to us. All payments to be made by you to us will made be without setoff, deduction, defense, counterclaim or claims in recoupment.

4.6 Late Fee; Interest on Delinquent Payments.

(a) Any payment of Royalty and Marketing and Promotion Fees not received by BMF when due will be delinquent and will be subject to a late payment penalty of 5% of the amount past due.

(b) In addition to a late payment penalties, all delinquent amounts will bear interest from the date payment was due at an annual percentage rate ("APR") of 15% (unless interest rates on delinquent payments in the state in which your Outlet is located are limited by law to a lesser percentage, in which case that percentage will apply), and you must reimburse BMF immediately upon demand for all reasonable costs of collection relating to delinquent amounts.

4.7 No Accord or Satisfaction.
If you pay, or we otherwise receive, a lesser amount than the full amount provided for under this Agreement for any payment due hereunder, such payment or receipt will be applied against the earliest amount due us. We may accept any check or payment in any amount without prejudice to our right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere will constitute or be construed as an accord or satisfaction.

V. INITIAL TERM AND RENEWAL TERMS

5.1 Initial Term.
The initial term of this Agreement (applicable solely to the Franchised Business licensed hereunder) commences on the Effective Date and expires on the 10th anniversary of the Opening Date, unless sooner terminated pursuant to the provisions of this Agreement.

5.2 Renewal Terms.

(a) You may renew your Franchise for successive 10-year terms commencing on the expiration date of the previous term, unless:

(i) You have given us written notice of your intention not to renew this Agreement at least 90 days before the expiration of the initial term or any successor term; or

(ii) We have given you, at least 180 days before the expiration of the initial term or any successor term, written notice of our intention not to renew this Agreement, which must be for one of the following reasons:

(A) You are not in good standing under this Agreement, including your failure to cure any outstanding default for which notice has been given; or

(B) You received from us six or more notices of material default of this Agreement during the entire term that is expiring, or two or more notices of material default during the last 12 months of the term that is expiring.

(b) At the time of renewal, you must (i) then be solvent (which means that you are able to pay your debts as and when promised by you and that you have assets that are greater than your debts), (ii) have not abandoned the Franchise, (iii) not be operating the Franchise in a manner that endangers public health or safety or materially harms the Blue Martini brand or reputation, and (iv) not have knowingly submitted false or incomplete reports to us during the initial term.

(c) Notwithstanding section 5.2(a) above, we are not obligated to renew your rights granted under this Agreement for an additional term if one or more of the following applies or occurs:

(i) You give us written notice of your intention not to renew this Agreement at least 180 days before the expiration of the initial term or any successor term.

(ii) During the 180 days prior to expiration of the Franchise, we permit you to sell your Franchised Business to a purchaser meeting our then current requirements for granting new Franchises or (if we are not granting a significant number of new Franchises) the then current requirements for granting renewal Franchises.

(iii) Termination of this Agreement would be permitted pursuant to sections 13.1 or 13.2 hereof.

(iv) You and we agree not to renew the Franchise.

(v) We withdraw from distributing our products or services through Franchises in the geographic market served by you, provided that:

(A) Upon expiration of the Franchise, we agree not to seek to enforce any covenant of the non-renewed franchisee not to compete with us or our franchisees; and

(B) The failure to renew is not for the purpose of converting the business conducted by you pursuant to this Agreement to operation by our employees or agents for our own account.

(vi) At the time of renewal, you or any Principal Equity Owner has been convicted of a felony or a crime involving moral turpitude, consumer fraud or any other offense that is reasonably likely, in our reasonable judgment, to have a materially adverse effect on the Marks, the System, or the goodwill associated with the Marks or System.

(vii) We and you fail to agree to changes or additions to the terms and conditions of this Agreement, if such changes or additions would result in renewal of this Agreement on substantially the same terms and conditions on which we are then customarily granting renewal franchises, or if we are not then granting a significant number of renewal Franchises, the terms and conditions on which we are then customarily granting original franchise agreements. We may give you written notice of a date which is at least 30 days from the date of such notice, on or before which a proposed written agreement of the terms and conditions of the renewal Franchise must be accepted in writing by you. Such notice, when given not less than 180 days before the end of the Franchise term, may state that in the event of failure of such acceptance by you, the notice will be deemed a notice of intention not to renew at the end of the Franchise term.

(d) As a condition to renewing your Franchise rights, we and you would sign a mutual release and we will require you to sign either (i) our then-current standard Renewal Franchise Agreement not later than 90 days before the end of the term that is expiring or (ii) an addendum to this Agreement extending its

term for an additional 10 year term. **IN ADDITION TO NOT GRANTING ANY ADDITIONAL RIGHTS BEYOND THOSE GRANTED IN THIS AGREEMENT, THE THEN-CURRENT RENEWAL FRANCHISE AGREEMENT MAY CONTAIN OTHER TERMS THAT ARE SUBSTANTIALLY DIFFERENT FROM THOSE IN THIS AGREEMENT, PROVIDED THAT THE (i) FEES PAYABLE TO US AND (ii) THE BOUNDARIES OF THE TERRITORY IN THE RENEWAL FRANCHISE AGREEMENT WILL NOT VARY FROM THE TERMS OF THIS AGREEMENT WITHOUT YOUR CONSENT.** The then-current Renewal Franchise Agreement, when executed, will supersede this Agreement.

(e) At the time of renewal, you must have satisfied all monetary obligations owed by you to us and to our affiliates and all other material obligations under this Agreement, and we may examine your books and records to verify compliance with this requirement anytime during normal business hours within 60 days of your renewal date.

(f) Not later than 90 days after your execution of a Renewal Franchise Agreement for an additional term, you must make such physical modifications to your Outlet as are reasonably necessary so that they are substantially consistent with the then current Blue Martini system requirements, and so that they can accommodate new Blue Martini Products, if any. You must also bring your Outlet and equipment, materials and supplies into compliance with the standards then applicable to new Blue Martini franchises.

(g) When you sign the Renewal Franchise Agreement, you must pay BMF a "Renewal Fee" of $2,500. This Renewal Fee is subject to adjustment based on changes in the CPI since the Effective Date.

5.3 Month to Month Extension; Longer Notice of Expiration Required by Law.

(a) At our option, if the renewal procedures described in section 5.2 above have not been completed, or in lieu of formal renewal of the Franchise, we may extend this Agreement on a month-to-month basis by notifying you we are doing so. Said month-to-month extension will continue until we give you at least a 30-day notice that the Franchise rights must be formally renewed in accordance with section 5.2 or the Agreement will expire and be terminated.

(b) If applicable law requires that we give a longer period of notice to you than herein provided prior to the expiration of the initial term or any successor term, we will give such additional required notice. If we do not give such required additional notice, this Agreement will remain in effect on a month-to-month basis only until you have received such required additional notice.

VI. TRAINING AND ASSISTANCE

6.1 Initial Training.

(a) It is of paramount importance that (i) you, your General Manager, your Kitchen Manager, the Principal Equity Owners, and your other key employees and representatives understand the Franchised Business and the System and (ii) your General Manager, Kitchen Manager and other key employees have been trained how to operate the Franchised Business. Accordingly, we will provide to your General Manager and your Principal Equity Owners an initial training program, providing an orientation to the System and instruction on how to operate the Franchised Business. You may not open and operate your Franchised Business until your General Manager has satisfactorily completed Initial Training. You acknowledge and agree that BMF will solely determine whether or not your General Manager satisfactorily completes Initial Training.

(b) The failure of your General Manager or your Kitchen Manager to complete Initial Training to our satisfaction will be grounds for termination of this Agreement; provided, however, that before this Agreement is so terminated, your General Manager or Kitchen Manager who fails to successfully complete Initial Training will be offered the opportunity to retake Initial Training or you may send one replacement General Manager, approved by us, to the next available Initial Training program. You may be required to pay us a fee of up to $1,500 for each Initial Training attended by a retaking or replacement General Manager or Kitchen Manager.

(c) We will determine the contents and manner of conducting the Initial Training program in our discretion, however, the training course will be structured to provide practical training in the implementation and operation of the Franchised Business and may include such topics as Blue Martini procedures, standards, marketing and customer service techniques, reports and equipment maintenance.

(d) There is no separate fee payable to us for the Initial Training program provided to your initial General Manager and your Principal Equity Owners. You may be required to pay us a fee of up to $1,500 for each additional attendee of Initial Training.

(e) All costs and expenses (including travel, hotel and meal) of your attendees of Initial Training will be your sole responsibility. All persons attending Initial Training on your behalf must have a demonstrable relationship to the management and operation of your Franchised Business.

6.2 Training and Assistance after Opening.

(a) After you open your Franchised Business, we will list your Outlet on the Blue Martini website.

(b) After you open your Franchised Business, we will provide you with telephone and e-mail assistance at your request or otherwise as we deem necessary to instruct in all phases of the operation of the Franchised Business. Our field representatives may visit your Outlet and Territory from time to time, but the frequency and duration of any such visits by our representatives is in our sole discretion. In addition, we will be available on an ongoing basis at our national headquarters for consultation and guidance with respect to the operation and management of the Franchised Business.

(c) After you open your Franchised Business, and upon reasonable notice, we may require participation of your designated personnel at training courses, seminars, conferences or other programs other than Initial Training or mandatory meetings (described in section 6.3 below) that are deemed by us to be relevant or appropriate to the operation of your Franchised Business. You specifically agree that only persons trained by us or under our supervision will have overall responsibility for the operation of the Outlet and Franchised Business, and that you will send your General Manager to us for additional training if we request this.

(d) We may but are not required to make available to you optional staff training courses, coaching and business mentoring programs, seminars, conferences, or other programs, in a suitable location selected by us.

(e) In addition to updates to the Confidential Operations Manual, we may provide you with additional materials relating to the Franchised Business. We may also from time to time make available to you for purchase other materials relevant to the System and the Franchised Business.

(f) All costs and expenses (including travel, hotel and meal) of your attendees at any post-opening training, conferences or meetings will be your sole responsibility. All persons attending post-opening training, conferences or meetings on your behalf must have a demonstrable relationship to the management and operation of your Franchised Business.

6.3 Mandatory Meetings.

Not more often than once each year, we may conduct a system-wide meeting or series of regional meetings to discuss Blue Martini business activities or other matters relating to the Franchised Business. Attendance of a Principal Equity Owner at these meetings will be mandatory (and is highly recommended for your General Manager and all of your other Principal Equity Owners). We may limit the number of your attendees at these meetings. You must pay the cost of travel, hotel and meal expenses for your attendees at these mandatory meetings. The mandatory meetings referenced in this section 6.3 are in addition to any voluntary convention or sales conference that may be coordinated by us.

6.4 Proprietary Materials.

At Initial Training and other training programs and conferences, we may provide you with Proprietary Information, as well as training materials, training curricula and related materials for your use in servicing customers and training your staff. All of these items are and will remain our property. You must not yourself nor allow your employees or others, to copy, reproduce, disseminate or otherwise reveal to third parties any of the foregoing Proprietary Information and related materials without our express prior written consent.

VII. OPENING OF OUTLET AND FRANCHISED BUSINESS

7.1 Your Outlet.

The Franchised Business may only be operated from your Outlet. If your Outlet has not been identified when you sign this Agreement, but the general location of the Territory is identified, the exact location of your Outlet will be inserted into a restated Exhibit 1 attached to this Agreement as soon as its location has been determined. In order to promote the orderly and timely service of Blue Martini customers, you may not deliver Blue Martini Products outside your Territory without our prior written location. You and the landlord must execute a rider to your lease for the new location for the Outlet (or other agreement or written understanding) that (i) grants us an option to assume your position as lessee under the lease for the relocated Outlet premises if you are in material default of either (A) the lease for the relocated Outlet premises (including an obligation of the landlord to notify us if you are in such default) or (B) this Agreement, and (ii) requires the landlord to fully cooperate with us in completing de-identification of the relocated Outlet in the event this Agreement is terminated or expires without being renewed and we do not exercise our option to assume the lease for the relocated Outlet premises.

7.2 Building Out Your Outlet.

(a) Within one year after the Effective Date, premises acceptable to BMF from which your Outlet will be operated must be located and secured by you. Within 30 days thereafter we will review and either consent to or disapprove the location (and if we disapprove, you must promptly propose an alternative location). If you have not located a site for your Outlet that is acceptable to BMF within one year after the Effective Date, BMF may cancel your Franchise Agreement on the basis of your failing to find an acceptable site. You must build out your Outlet (and commence operation of the Franchised Business there) within two years after the Effective Date, using architects, project managers, contractors, subcontractors, architectural plans and key equipment suppliers designated by BMF (or one of our affiliated companies) or otherwise reasonably acceptable to BMF. You must commence operation of the Franchised Business at your Outlet as soon as practicable after your receipt of a certificate of occupancy (or equivalent document) from the responsible local government authority. If you have not commenced operation of the Franchised Business within 2 years after the Effective Date, BMF may terminate this Agreement effective on written notice. BMF will give you an automatic 60-day extension to open the Outlet beyond the mandatory dates specified above in this section 7.2(a) if we deem in our sole discretion that you have made a diligent effort to open but were unable to do so due to reasons beyond your reasonable control.

(b) We will assist you in the site selection process. We reserve the sole right of final review and consent to any location of the Outlet. We will help you evaluate the site and the area in which it is located, and analyze area income figures, traffic patterns, visibility, population density, population demographics, site situation, competition, zoning, parking, accessibility and other related, relevant circumstances. Our final review and consent to your Outlet is not a guarantee that a Blue Martini business can be successfully operated there or anywhere else.

(c) BMF will provide you with a sample prototype layout for your Outlet. At your sole expense, you must employ architects, designers, engineers or others designated or approved by BMF to complete, adapt, modify or substitute the sample plans and specifications for the Outlet. The architect must submit a complete set of final plans and specifications to BMF before commencing construction of the Outlet. BMF will review these plans and specifications promptly and accept them as stated or provide you with our comments on the plans and specifications. BMF has complete and uncontested control over the design of the Outlet

and you may not modify the design or choose third party designers without our express written consent. And, you may not commence construction of the Outlet until BMF consents in writing to the final plans, specifications and contractors to be used in constructing the Outlet. BMF will consult with you, to the extent BMF deems necessary, on the construction and equipping of the Outlet, but it is and will remain your sole responsibility to diligently construct, equip and otherwise make ready, and then open the Outlet. You are responsible, at your expense, for obtaining all zoning classifications, permits, clearances, certificates of occupancy and center clearances which may be required by governmental authorities.

(d) You must use competent licensed general contractors and vendors reasonably acceptable to BMF to construct your Outlet. BMF expressly disclaims any warranty of the quality or merchantability of any goods or services provided by architects, contractors, or any other persons or entities that BMF may refer to you. BMF will not be responsible for delays in the construction, equipping or decoration of the Outlet or for any loss resulting from the Outlet design or construction since BMF has no control over the landlord or developer and numerous construction or related problems that could occur, and consequent delay in the opening of your Outlet. BMF must approve in writing any and all changes in the Outlet plans prior to construction of the Outlet or the implementation of such changes.

(e) BMF must have access to your Outlet while work is in progress. We may make video records of construction in process and may require such reasonable alterations to or modifications in the construction of the Outlet as we deem necessary. Your failure to promptly commence the design, construction, inventorying, equipping and opening of the Outlet with due diligence will be grounds for the termination of this Agreement. And if you do not complete the build out of the Outlet in a reasonable time, BMF can complete the build out, all expenses of which will then be paid or reimbursed by you. Before opening of the Outlet and prior to final inspections by any governmental agency, representatives of BMF will complete a final “walk through” inspection of the Outlet and issue a written consent to open. Any deficiencies noted by BMF as a result of this inspection must be corrected by you within 30 days or this Agreement may be terminated without any liability to BMF.

(f) Unless otherwise agreed to in writing by you and BMF, you have the sole responsibility for locating and obtaining suitable premises for your Outlet. You and your landlord will be required by BMF to execute a rider to your lease (or other written agreement or written understanding) that (i) grants BMF an option to assume your position as lessee under the lease for the Outlet premises if you are in material default of either the lease for the Outlet premises (including an obligation of the landlord to notify BMF within 10 business days if you are in default of your lease), (ii) if BMF assumes the lease, grants BMF the option to assign the lease or sublease the Outlet premises to another franchisee, subject to the landlord's consent (which will not be unreasonably withheld) and (iii) requires the landlord to fully cooperate with BMF in either allowing BMF to assume or sublease the Outlet premises or completing de-identification of the Outlet if this Agreement is terminated or expires without being renewed.

(g) After the Outlet opens, BMF has the right to periodically inspect your Outlet and any other site where you conduct the Franchised Business.

7.3 Initial Inventory.

Within the timeframes that we specify before the Opening Date, you must order from (and if necessary, pre-pay to) designated or approved suppliers the items specified in the Confidential Operations Manual for your complete initial inventory of Blue Martini Products and other authorized items, with delivery scheduled for not later than two business days before the Opening Date. Thereafter, you must buy Blue Martini Products and other authorized items only from vendors designated by BMF or suppliers approved by BMF. You must buy interior and exterior signs, other materials containing the Marks, and apparel containing the Marks only from suppliers approved by BMF.

7.4 Marketing and Advertising Boundaries.

You may not directly promote, advertise or otherwise market your Outlet outside the boundaries of the Territory or other advertising boundary that we designate, except with our express written permission. The marketing

and advertising boundaries are determined by us and may be changed by us or overlap with the territories of other Blue Martini franchised Outlets as market conditions or type of media warrant, all in our sole discretion. Such marketing and advertising boundaries may exceed the Territory provided herein, in our sole discretion.

VIII. OPERATION OF FRANCHISED BUSINESS

8.1 Operational Requirements.

(a) At all times you must be, or employ, a "full time" General Manager who will devote his or her entire time during normal business hours, as defined in the Confidential Operations Manual, to the management, operation and development of the Franchised Business. The General Manager must ensure that you fulfill your obligations to your customers in a timely and professional manner and he or she may not engage in any other business requiring his or her active participation during normal business hours.

(b) You will provide Blue Martini Products and other food, beverages and related products and accessories supplied by designated vendors and approved suppliers for resale by you at your Outlet in accordance with this Agreement and the Confidential Operations Manual (as amended from time to time by us). You must only operate the Franchised Business at your Outlet, in strict accordance with the procedures set forth in the Confidential Operations Manual or otherwise provided to you by us in writing. You may only provide Blue Martini Products to customers who in your reasonable judgment are capable of receiving or using them. You may not engage in the sale or delivery of Blue Martini Products outside of your Outlet except for authorized catering within a reasonable proximity to your Outlet or as we may otherwise authorize in the Confidential Operations Manual or otherwise in writing. You must use the standard signs and formats that we prescribe in operating the Outlet and conducting the Franchised Business. To protect and maintain the integrity, reputation and goodwill of the System and the Marks, we require that you comply with the methodology we prescribe in providing Blue Martini Products to customers. We may (i) recommend retail prices for Blue Martini Products and restrict your advertising of prices that are inconsistent with these recommended prices, and (ii) to the extent permitted by federal and state law applicable to the Outlet, we may designate maximum and minimum retail prices to be charged for Blue Martini Products.

(c) Your Franchised Business must be open on a full-time basis in accordance with the hours of operation as designated in the Confidential Operations Manual. The obligation to remain open will not apply in the event of natural or man-made disasters or public emergencies.

(d) You must obtain the necessary full liquor (or full spirits) license to permit you to offer martinis and other alcoholic beverages at your Outlet. The costs of these licenses vary, but it is your responsibility to determine exactly what this liquor (or spirits) license will cost. You must supervise your employees at all times to make sure your customers are served alcoholic beverages responsibly. You must also employ and maintain at all times your Outlet is open a sufficient number of security personnel on and near the Outlet premises to provide adequate care and custody of your customers.

(e) You must promptly satisfy as and when due any *bona fide* indebtedness that you incur in operating your Franchised Business.

(f) You must notify us in writing within 10 days after you receive actual notice of the commencement of any investigation, action, suit, or other proceeding, or the issuance of any order, writ, injunction, award, or other decree of any court, agency, or other governmental authority that pertains to the Franchised Business or that may adversely affect your operations in the Territory or your ability to meet your obligations hereunder.

(g) Upon the occurrence of any event that occurs at the Outlet that caused or may cause harm or injury to customers or employees, or that may damage the System, Marks, or image or reputation of the Franchised Business or us or our affiliates, you must immediately inform our designated contact person as instructed in the Confidential Operations Manual by telephone, e-mail, text or other electronic messaging medium authorized by us for this purpose. You must cooperate fully with us with respect to our response to an incident described in this section 8.1(g).

(h) If there is any *bona fide* dispute as to any liability for taxes assessed or other indebtedness, you may contest the validity of the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. However, you may not permit a tax sale or seizure by levy or similar writ or warrant, or attachment by a creditor to occur against the premises of the Franchised Business or any of its improvements.

(i) You may not engage in any co-branding in the Outlet or in connection with the Franchised Business except with our prior written consent. We are not required to approve any co-branding chain or arrangement except in our discretion, and only if we recognize that co-branding chain as an approved co-brand for operation within the System. "Co-branding" includes the operation of an independent business, product line or operating system owned or licensed by another entity (not us) that is featured or incorporated within your Outlet or the Franchised Business you operate in your Territory or is adjacent to your Outlet and operated in a manner which is likely to cause the public to perceive it to be related to the Outlet and Franchised Business licensed to you hereunder.

8.2 Confidential Operations Manual.

(a) You must operate the Franchised Business in accordance with the Confidential Operations Manual, a copy of which will be provided to you. You may also be provided with a hard copy of all or portions of the Confidential Operations Manual at Initial Training or afterwards. We have the right to modify the Confidential Operations Manual at any time by the addition, deletion or other modification of the provisions thereof. All such additions, deletions or modifications are effective on the next business day after the digital copy maintained on our website is changed.

(b) All additions, deletions or modifications to the Confidential Operations Manual are equally applicable to all similarly situated Blue Martini franchisees. As modified by us from time to time, the Confidential Operations Manual will be deemed to be an integral part of this Agreement and references to the Confidential Operations Manual made in this Agreement, or in any amendments or exhibits hereto, are deemed to mean the Confidential Operations Manual. However, the Confidential Operations Manual, as modified or amended by us from time to time, will not alter your fundamental status and rights under this Agreement. If there is any discrepancy or dispute about the version of the Confidential Operations Manual that you may have printed and maintain, the master copy of the Confidential Operations Manual that we maintain at our headquarters and available on our website will be the controlling version and will supersede all prior versions.

(c) If you lose printed portions of, or allow unauthorized access to or duplication of, the Confidential Operations Manual or any other confidential manuals or proprietary materials loaned to you by us, you must request a replacement within three business days, and you will be deemed to be in violation of this Agreement and all other agreements you have with BMF and our affiliated entities.

(d) Upon the expiration or termination of this Agreement for any reason whatsoever, you must immediately return to us any printed portions of the Confidential Operations Manual then in your possession. Except as specifically permitted by us, at no time may you, or your employees or agents, (i) make, or cause to be made, any copies or reproductions of all or any portion of the Confidential Operations Manual, (ii) give online access to the Confidential Operations Manual to unauthorized persons, or (iii) disclose any part of the Confidential Operations Manual to any other person except your authorized employees and agents when required in the operation of the Franchised Business.

8.3 Standards of Operation.

You agree that we, you and everyone else involved in the System benefits from the maintenance of the highest standards of uniformity, quality, similar appearance and prominent display of the Marks at your Outlet and elsewhere in your Territory. Therefore, you agree to maintain the uniform standards of quality, appearance and display of the Marks in strict accordance with this Agreement and the Confidential Operations Manual as it may be revised from time to time, and as we may otherwise direct in writing. In order that we may establish

and maintain an effective network of franchisees, you specifically agree that you must not display the Marks except in the manner we authorize.

8.4 Point of Sale System and Computer System.

(a) You must purchase, use and maintain the computerized point of sale cash collection system and integrated business computer (including all related hardware and software) as specified in the Confidential Operations Manual or otherwise by BMF in writing for use in connection with the Outlet (the "POS System"). The POS System must be powered on and connected at all times to a dedicated, state of the art Internet or other high-speed communications medium specified by BMF, and be capable of accessing the Internet for the purpose of implementing software, transmitting and receiving data, accessing the Internet in the manner designated by BMF in the Confidential Operations Manual or otherwise by BMF in writing for maintaining the POS System. You must obtain and maintain an annual maintenance agreement with the manufacturer or distributor of the POS System. The POS System must be electronically linked to BMF. We may electronically access the POS System on a daily or other basis at such times and in such manner as determined by BMF, with or without notice, to retrieve such transaction information including sales, sales mix, usage and other operations data as BMF deems appropriate. You must ensure that only adequately trained employees, in our discretion, are allowed to conduct transactions using the POS System. Within a reasonable time upon our request, you must apply for and maintain debit cards, credit cards or other non-cash systems existing or developed in the future to enable customers to purchase Blue Martini Products via such procedure, as specified by us. We may require you to update, upgrade or replace the POS System, including hardware and/or software, from time to time upon written notice, provided that you will not be required to replace the POS System any more frequently than once every three years (unless the POS System has been impaired by actions of you or your employees).

(b) In addition to the POS System, you must purchase, use and maintain a personal computer system (including all related hardware and software) as specified in the Confidential Operations Manual or otherwise by BMF in writing for use in connection with the Outlet (the "Computer System"). BMF requires you to maintain an e-mail account and connect the Computer System at all times to a dedicated, state of the art Internet or other high-speed communications medium specified by BMF, and be capable of accessing the Internet for the purpose of implementing software, transmitting and receiving data, in the manner designated by BMF in the Confidential Operations Manual or otherwise by BMF in writing. You must obtain all software and hardware, including digital still and video cameras (which BMF may have access to), as BMF may specify to enable you to provide ample security against viruses, send and receive e-mail, contact and track customers, perform accounting functions, perform marketing and access and transmit to BMF digital photos and streaming video or other multimedia signals and information to and from the Outlet, in the form and manner prescribed by us. You must purchase any upgrades, enhancements or replacements to the Computer System and/or hardware and software as we may from time to time require by 30 days written notice; provided however that you will not be required to update or replace the Computer System any more frequently than once every three years. We may access the Computer System on a daily or other basis at such times and in such manner as determined by BMF, with or without notice, to retrieve files and data stored therein relating to the Outlet and the Franchised Business.

(c) BMF may designate that certain computer software must be used in the operation of the POS System and Computer System ("Designated Software"). If we do so, you must license or sublicense such Designated Software from our designee and enter into a software license agreement on the software licensor's then-current form and pay any related license or maintenance fees. You may also be required to purchase any upgrades, enhancements or replacements to the Designated Software. You must incorporate any required modifications or additions within 30 days after receiving written notice from BMF, unless a longer time period is stated in the notice.

(d) You may not install, and must prohibit others from installing, unauthorized software on the POS System and the Computer System. You must take all commercially reasonable measures to insure that no virus, Trojan horse, malicious code or other unauthorized code or software is installed on, or transmitted by, the POS System or the Computer System. You must from time to time communicate to BMF all passwords, access keys and other security devices or systems necessary to permit BMF to access the POS

System and Computer System and obtain the data we are permitted to obtain under this Agreement, including accounting, sales, marketing, client and other information to assist in and support the operation of the Franchised Business. The POS System must also be configured and enabled to send daily and weekly sales reports to the email address we provide.

8.5 Maintenance, Upgrades and Refurbishments to the Outlet.

(a) BMF requires that you maintain, and from time to time refurbish, the Outlet to conform to the then-current building design, Trade Dress, and color schemes then applicable for an Outlet. Such maintenance and refurbishment may require expenditures by you on, among other things, structural changes, installing new equipment, remodeling, redecoration and modifications to existing improvements and such modifications as may be necessary to comply with System-wide standards then in effect for Outlets or to accommodate new Blue Martini Products. In this regard, the following requirements are applicable:

(i) You must maintain all equipment used at the Outlet on an as needed basis. And you must immediately and completely resolve to our satisfaction any maintenance deficiencies we identify.

(ii) You must make any and all upgrades to equipment and any technology used in your Outlet that we may require.

(iii) We may periodically require you to update the Trade Dress used at your Outlet. Such updates will be contained in the Confidential Operations Manual or otherwise provided to you in writing. Such updates may require you to install new color schemes, logos, signage or other visual elements. We anticipate that such Trade Dress updates will be required no more frequently than once every five years.

(b) BMF will only require the types of modifications and expenditures described in this section 8.5 where there is good cause. In this context, "good cause" means that BMF must make a good faith determination that your Outlet is substantially inconsistent with prevailing System-wide standards (including the Trade Dress, safety issues regarding customers and employees, the overall condition of the Outlet, or the type, quality or condition of the equipment needed to adequately prepare, promote and sell Blue Martini Products) and that, as a result of its appearance or condition, your Outlet is either (i) not adequately positioned to promote and sell Blue Martini Products as then required or (ii) damaging the integrity of the Blue Martini image, brand and/or Marks.

8.6 Relocation of Your Outlet.

(a) If you desire to relocate your Outlet, you may do so provided that not less than 90 days prior to the desired date of relocation (unless prior notice is impractical because of a required relocation in which event notice must be given as soon as possible), you make a written request for consent to relocate, describing the reasons for the relocation and providing complete written details respecting any proposed new location.

(b) Within 20 business days after receiving your request, BMF will either approve or disapprove in writing such closure or relocation in our reasonable discretion. In the event of disapproval of a proposed relocation, you may request an alternative proposed new location for your Outlet pursuant to the provisions of this section 8.6.

(c) You and the landlord may be required to execute a rider to your lease for the new location for the Outlet (or other agreement or written understanding) that (i) grants us an option to assume your position as lessee under the lease for the relocated Outlet premises if you are in material default of either (A) the lease for the relocated Outlet premises (including an obligation of the landlord to notify us if you are in such default) or (B) this Agreement, and (ii) requires the landlord to fully cooperate with us in completing de-identification of the relocated Outlet in the event this Agreement is terminated or expires without being renewed and we do not exercise our option to assume the lease for the relocated Outlet premises.

8.7 Record Keeping and Reporting Requirements.

(a) Not later than 10 business days after we request them, you must submit to us financial or statistical reports, records, statements or information as required in the Confidential Operations Manual or otherwise by us in writing.

(b) Within 90 days after the end of each fiscal year (or any permitted extension for filing same), you must submit to us a copy of the Schedule C or equivalent portion of your federal tax return that relates to the Outlet and your operation of the Franchised Business.

(c) All financial or statistical information you provide to us must be accurate and correct in all material respects.

(d) We have the right to use any financial or statistical information that you provide us, as we deem appropriate. We will not identify you, your Outlet or your Territory as the source of the information and will not disclose any of this information except (i) with your written consent, (ii) as required by law or compulsory order or (iii) in connection with audits or collections under this Agreement.

(e) We or our designated agents have the right, at all reasonable times, to examine, copy and audit the books, records and applicable portions of your tax returns that relate to the Outlet and your operation of the Franchised Business. We agree to maintain the contents of the Schedules C (or equivalent portion) of your tax returns in strict confidence and will not disclose them to any third party without your express written consent. If an examination or audit discloses any underpayment of any fee, you must promptly pay the deficient amount plus interest calculated daily from the due date until paid at an annual percentage rate of 18% (or the highest rate of interest allowed by your state's law if this is less than 18%). If an examination or audit discloses an underpayment or understatement of any amount due us by 5% or more, or if the examination or audit is made necessary by your failure to furnish required information or documents to us in a timely manner, or it takes our auditors an unreasonable amount of time (more than eight hours) to assemble your records for audit, you must reimburse us for the cost of having your books examined or audited (this remedy will be in addition to any other rights or remedies we have under this Agreement or otherwise, including our right to terminate this Agreement).

(f) You must maintain and preserve all books, records and accounts of or relating to the Franchised Business for at least five years after the close of the fiscal year to which the books records and accounts relate.

8.8 Signs and Display Materials.

(a) All signs, display materials and other materials containing the Marks must be in full compliance with the specifications provided in, and in conformity with, the Confidential Operations Manual. We will designate or approve the suppliers of materials containing the Marks in accordance with Confidential Operations Manual guidelines.

(b) Subject to applicable governmental ordinances, regulations and statutes, you agree to post and maintain, at the Outlet, entirely at your expense, any minimum signage recommended by us. Any signage containing the Marks will be designed by a vendor designated by BMF and manufactured by a vendor designated or approved by BMF.

8.9 Customer Lists and Telephone Numbers.

(a) You acknowledge and agree all of the customers at the Outlet are customers of Blue Martini and not customers of the franchisee. You must provide information regarding these customers as prescribed by the Confidential Operations Manual or otherwise requested by us. At the time of termination or expiration of this Agreement, for any reason, you must deliver to us any and all lists you have of customers of the Outlet.

(b) At your sole expense, you must list the telephone number for your Outlet in accordance with procedures prescribed by the Confidential Operations Manual. At the time of termination or expiration of this Agreement, for any reason, you must transfer the telephone numbers for your Outlet to us.

8.10 Insurance.

(a) During the construction of your Outlet you must obtain and maintain adequate insurance to cover you and your contractors, which at a *minimum* must include (i) Statutory Workers' Compensation Insurance and Employers' Liability in an amount of not less than $1,000,000 each accident, $1,000,000 Disease - Policy Limit and $1,000,000 Disease- Each Employee; (ii) commercial general liability insurance with limits of at least $5,000,000 per occurrence; (iii) auto liability insurance in the minimum amount of $2,000,000 each accident (combined single limit of Business Auto Coverage form for any auto including but not limited to owned, scheduled, hired and non-owned vehicles used in the operation of your business); (iv) Builder's Risk insurance covering the entire work at the jobsite on the basis of 100% Completed Value (replacement cost); (v) flood Insurance with a limit as close to the amount of the builders risk as is reasonably available (only if your Outlet is in a special flood hazard area as designated by the U.S. government) and (vi) earthquake insurance with a coverage limit as close to 75 percent of the builder's risk limit (only if your Outlet is in a zone with a hazard rating of 20 or higher according to the latest US Geological Survey Shaking Hazard maps).

(b) After the Opening Date and thereafter during business operations, you must obtain and maintain adequate insurance to cover you and your Outlet, which at a *minimum* must include (i) commercial general liability insurance with limits of at least $5,000,000 per occurrence (may be satisfied with a combination of primary, umbrella and/or excess policies); (ii) Liquor Liability Coverage insuring your liability for damages arising out of bodily injury or property damage by reason of any statute or ordinance or common law pertaining to the sale or serving of alcoholic beverages, with minimum limits of $5,000,000 each common cause, and $5,000,000 aggregate (these are to be separate limits from the general liability insurance limits and not reduce the amount of coverage available); (iii) commercial automobile insurance with coverage limits of at least $5,000,000 each accident combined single limit, which may be satisfied with a combination of primary, umbrella, and/or excess insurance policies, with coverage to include (A) all owned, non-owned, leased, and hired automobiles used in the operation of the live entertainment lounge and (B) Garage-Keeper's Liability, to the extent that operations include parking operations, with a limit adequate to cover the full actual value of all automobiles that are in Licensee's care, custody and control at any one time; (iv) Statutory Workers' Compensation Insurance and Employers' Liability in an amount not less than $1,000,000 each accident, $1,000,000 Disease - Policy Limit and $1,000,000 Disease- Each Employee; (v) commercial property insurance and business interruption insurance on a special all risk causes of loss policy form, covering 100 percent of the insurable replacement value of the building and its contents, and for full recovery of the net profits and continuing expenses of the Outlet (including rental value) for a 12-month period; (vi) flood Insurance with a limit as close to the amount of the builders risk as is reasonably available (only if your Outlet is in a special flood hazard area as designated by the U.S. government); (vii) earthquake insurance with a coverage limit as close to 75 percent of the builder's risk limit (only if your Outlet is in a zone with a hazard rating of 20 or higher according to the latest US Geological Survey Shaking Hazard maps); and Commercial Umbrella Liability insurance with a limit of not less than $5,000,000 per occurrence and in the aggregate. These limits shall apply in excess of the Commercial General Liability, Employer's Liability, Liquor Liability and Commercial Automobile Liability coverages. Your obligations to pay Royalty (including the full minimum Royalty required by section 4.2(c) above) and Marketing and Promotion Fees will continue during any period of reduced or suspended operations at your Outlet as a result of a covered property loss.

(c) All required insurance shall be purchased by insurance companies of good reputation with a rating of "A VII" or better by A. M. Best Company. Further details on insurance coverage required by this section 8.10, contact information regarding authoritative government data sources, policy coverage limitation adjustments and other terms relating to insurance will be set forth in the Confidential Operations Manual.

(d) To the extent permissible under law, insurance requirements may be satisfied with a combination of primary, umbrella and/or excess policies. All insurance policies will name you as named insured and, with the exception of Workers' Compensation, will name BMF and all of our subsidiaries and affiliates of these companies now existing or which may hereafter exist as additional insureds (including their employees, officers and directors on additional insured endorsement forms as designated by BMF) to the full extent of coverage provided under the insurance policies. You must provide us a copy of the policy and endorsement upon issuance and upon each and every renewal.

(e) You must promptly notify us of any and all claims against you or us under said policies of insurance and deliver to us certificates evidencing that such insurance are in full force and effect within 30 days after the Opening Date and each succeeding anniversary of the Opening Date. Such insurance certificate must contain a statement that the certificate cannot be canceled without 30 days prior written notice to you and to us. You must notify us in writing immediately regarding any cancellation, non-renewal or reduction in coverage or limits.

(f) As an independently owned and operated franchisee, you are responsible for all costs or liabilities arising from the operation of your Outlet and it imperative that you carry adequate insurance to protect yourself. The insurance requirements set forth in this section 8.10 are not intended as a representation, implied or expressed, that such insurance is adequate to protect your interest. The insurance coverage requirements contained herein are minimum requirements. These requirements do not relieve you from responsibility for any loss or claim for damages arising out of this Agreement.

8.11 Review and Inspection.

(a) BMF has the right to send representatives at reasonable intervals at any time during normal business hours, to your Outlet or other offices to review and inspect your operations, business methods, service, management and administration relating to the Franchised Business or its equivalent, to determine the quality thereof and the faithfulness of your compliance with the provisions of this Agreement and the Confidential Operations Manual.

(b) You must permit our representatives to access your Outlet and any other facility from which you sell Blue Martini Products at any time (announced or unannounced) during normal business hours to conduct reviews and inspections. You must cooperate with such reviews and inspections by rendering such assistance as our representatives may reasonably request and upon notice from us or our representatives, immediately begin such steps as may be necessary to correct any deficiencies noted during any such inspection. Within 10 business days after any such inspection, our representatives may re-inspect your Outlet (or other facility, if applicable) to ensure noted deficiencies have been corrected. If the deficiencies have not been corrected by the time of the initial re-inspection, our representatives may make additional re-inspections every five business days thereafter until noted deficiencies have been corrected and you must reimburse the travel and lodging expenses of our representatives who conduct the additional re-inspection.

8.12 Compliance with Laws.

You must (i) operate the Franchised Business in compliance with all applicable laws, rules and regulations of all governmental authorities, (ii) comply with all applicable wage, hour and other laws and regulations of the federal, state or local governments, (iii) prepare and file all necessary tax returns and (iv) pay promptly all taxes imposed upon you or upon your business or property. You represent and warrant that you will obtain and at all times maintain all necessary permits, certificates or licenses necessary to conduct the Franchised Business in the locality within which the Outlet is situated. You must immediately notify us of any litigation, arbitration, disciplinary action, criminal proceeding, or any other legal proceeding or action brought against or involving you, or any entity affiliated with you, or any agent, employee, owner, director or partner of yours, which notification must include all relevant details in respect thereof, according to the procedures set forth in the Confidential Operations Manual.

8.13 Web Site and Internet Marketing.

(a) During the term of this Agreement, except as specifically authorized by us in section 6.2(a) of this Agreement, the Confidential Operations Manual or otherwise in writing, you may not (i) engage in Franchised Business directly or indirectly through the Internet, (ii) establish a website or social networking media outlet (such as Facebook, Instagram, LinkedIn, Twitter, Google accounts *etc*.), or register an Internet domain or social networking media outlet name using any of the Marks, or (iii) otherwise advertise on the Internet or anywhere else, the mark "Blue Martini", or any other Mark, or any mark similar to "Blue Martini", or any combination or derivations thereof.

(b) Any alternative distribution methods and programs you would like to use to engage in the Franchised Business, including e-commerce, web sites, Internet sub-dealers, telesales and telemarketing, or any other non-retail method of distribution, is subject to the prior written approval of BMF, which approval will be in our sole discretion.

8.14 Intranet.

(a) We may, at our option, establish and maintain an "Intranet" through which Blue Martini franchisees may communicate with each other, and through which we and you may communicate with each other and through which we may disseminate the Confidential Operations Manual, updates thereto and other confidential information. We will have discretion and control over all aspects of the Intranet, including the content and functionality thereof. We will have no obligation to maintain the Intranet indefinitely and may dismantle it at any time without liability to you.

(b) You may use the Intranet, but only if you are in strict compliance with the standards and specifications, protocols and restrictions that we may establish from time to time regarding such use. Such standards and specifications, protocols and restrictions may relate to, among other things, (i) the use of abusive, slanderous or otherwise offensive language in electronic communications, (ii) communications between or among franchisees that endorse or encourage default of any Blue Martini franchise agreement, or other agreement with us or our affiliates, (iii) confidential treatment of materials that we transmit via the Intranet, (iv) password protocols and other security precautions, including limitations on the number and types of employees that may be granted access to the Intranet, (v) grounds and procedures for our suspending or revoking a franchisee's access to the Intranet, and (vi) a privacy policy governing our access to and use of electronic communications that franchisees post to the Intranet. You acknowledge that, as administrator of the Intranet, we can technically access and view any communication that any person posts on the Intranet. You further acknowledge that the Intranet facility and all communications that are posted to it will become our property, free of any claims of privacy or privilege that you or any other person may assert.

(c) You must establish and continually maintain (during all times that the Intranet is operational and until the termination of this Agreement) an electronic connection (the specifications of which will be specified in the Confidential Operations Manual) with the Intranet that allows us to send messages to and receive messages from you, subject to the standards and specifications.

8.15 Franchise Advisory Council.

We may, at our option, establish a franchise advisory council (the "FAC"), which will be composed of franchisees of the System. The FAC will, among other functions requested by us, serve as a representative committee for franchisees of the System and facilitate and coordinate the sharing of information and ideas between franchisees of the System and us. If appointed or elected to do so, you (or your designee) must, at your own expense, participate as a member of the FAC. We reserve the right to set reasonable standards for appointment or election to the FAC and you acknowledge that if we establish the FAC, you may be required to pay a fee or otherwise contribute to the FAC as the FAC leadership or we may require. You acknowledge that the role of the FAC is advisory only, and we are not obligated to implement the FAC's recommendations. Neither you nor your designee will have the right to be appointed, elected, and if

appointed or elected, to continue to serve on the FAC if you are in material default of this Agreement, or are not current in your financial obligations to us, and your landlord (if any), suppliers and vendors.

IX. PROPRIETARY MARKS

9.1 License of the Marks.

(a) We hereby grant you the right during the term hereof to use and display the Marks in accordance with the provisions contained in this Agreement and in the Confidential Operations Manual, solely in connection with your operation of the Franchised Business in the Territory. Neither you nor any Principal Equity Owner may use, display or permit the use or display of trademarks, trade names, service marks, insignias or logo types other than the Marks and other trademarks and service marks approved for use by us in connection with the Franchised Business. Neither you nor any Principal Equity Owner may use or display the Marks in connection with the operation of any business or other activity that is outside the scope of the Franchised Business. **You may only use the Marks on the Internet or other electronic media in the manner and as specifically authorized by us in the Confidential Operations Manual or otherwise in writing.** You agree to be responsible for and supervise all of your employees and agents in order to insure the proper use of the Marks in compliance with this Agreement.

(b) You acknowledge that the Marks have been licensed to us by the Owner of the Marks to use in the franchised System. You acknowledge and agree your use of the Marks is a temporary authorized use under this Agreement and that the Owner of the Marks retains all ownership interests in the Marks and that the Owner of the Marks, BMF and the Owner of the Marks retain all ownership of the goodwill generated by the Marks. You acknowledge that the use of the Marks outside the scope of the terms of this Agreement without our written consent is an infringement of the Owner of the Marks' and our exclusive rights, titles and interest in and to the Marks. You agree that as between you and us, all rights to use the Marks within the franchised System are our exclusive property. You now assert no claim and will hereafter assert no claim to any goodwill, reputation or ownership thereof by virtue of your franchised use thereof or otherwise. It is expressly understood and agreed that ownership and title of the Trade Dress, Confidential Operations Manual and our other manuals, bulletins, instruction sheets, forms, methods of operation and goodwill are and, as between you and us, remains vested solely in us, and the use thereof is only co-extensive with the term of this Agreement. You agree that during the term of the Franchise, and after the repurchase, expiration or termination of the Franchise, you will not, directly or indirectly, commit an act of infringement or contest or aid others in contesting the validity, distinctiveness, secondary meaning, ownership or enforceability of the Marks or take any other action in derogation of the Marks, and that no monetary amount will be assigned as attributable to any goodwill associated with your use of the System or the Marks.

(c) You acknowledge that we prescribe uniform standards respecting the nature and quality of Blue Martini Products provided by you in connection with which the Marks are used. Nothing herein gives you any right, title or interest in or to any of the Marks, except a mere privilege and license during the term hereof to display and use the same and you agree that all of your use of the Marks under this Agreement inures to our benefit and the benefit of the Owner of the Marks.

(d) You and all Principal Equity Owners agree that all materials associated with BMF, Blue Martini Products or other services, artwork, graphics, layouts, slogans, names, titles, text or similar materials incorporating, or being used in connection with, the Marks which may be created by you, your employees, agents and subcontractors and any other party with whom you may contract to have such materials produced pursuant to this Agreement will become the sole property of the Owner of the Marks, including copyright and trademark rights. In furtherance thereof, you hereby and irrevocably assign to us all such materials, artwork, graphics, layouts, slogans, names, titles, text or similar materials, whether presently or hereafter existing. Furthermore, you agree on behalf of yourself, your employees, your agents, your subcontractors and any other party with whom you may contract to have such materials produced, to promptly execute any and all appropriate documents in this regard.

(e) If necessary, you agree to join with us and share the expenses in any application to enter you as a registered or permitted user, or the like, of the Marks with any appropriate governmental agency or

entity. Upon termination of this Agreement for any reason whatsoever, we may immediately apply to cancel your status as a registered or permitted user and you hereby consent to the cancellation and agree to join in any cancellation petition. You will bear the expense of any cancellation petition.

9.2 Your Business Name.

(a) In connection with your operation of the Outlet, you agree that at all times and in all advertising, promotions, signs and other display materials, on your letterheads, business forms, and at the Outlet and other authorized business sites, in all of your business dealings related thereto and to the general public, you will identify the Franchised Business solely under a trade name containing the Mark “Blue Martini” and authorized by us (“Business Name”) together with the words "INDEPENDENTLY OWNED AND OPERATED" on your letterhead, contract agreements, invoices, advertising and other written materials containing the Marks as we may direct.

(b) You must file and keep current a fictitious business name statement, assumed name certificate or similar document with respect to your Business Name in the county or other designated jurisdiction in which you are conducting business and at such other places as may be required by law. Before you commence engaging in the Franchised Business under the Marks, you must supply evidence satisfactory to us that you have complied with relevant laws regarding the use of fictitious or assumed names.

(c) On expiration or sooner termination of this Agreement, we may, if you do not do so, execute in your name and on your behalf any and all documents necessary, in our judgment, to end and cause a discontinuance of the use by you of the Marks and Business Name registrations and we are hereby irrevocably appointed and designated as your attorney-in-fact to do so.

(d) You further agree that you will not identify yourself as (i) BMF, (ii) a subsidiary, parent, division, shareholder, partner, agent or employee of ours or the Owner of the Marks or (iii) any of our other franchisees.

(e) If you are an entity and not an individual proprietor, you cannot use any of the Marks in your entity’s legal name.

9.3 Trade Secrets and Proprietary Information.

(a) Under this Agreement, we are licensing you access to our Proprietary Information, trade secrets and other confidential data and information. You acknowledge that the material and information now and hereafter provided or revealed to you pursuant to this Agreement (including in particular, but without limitation, the contents of the Confidential Operations Manual) are confidential trade secrets of BMF and are revealed in confidence, and you expressly agree to keep and respect the confidences so reposed, both during the term of this Agreement and thereafter. We expressly reserve all rights with respect to the Marks, confidential trade secrets, methods of operation and other proprietary information, except as may be expressly granted to you hereby or in the Confidential Operations Manual. We will disclose to you certain trade secrets as reasonably needed for the operation by you of your Franchised Business by loaning to you, for the term of this Agreement, the Confidential Operations Manual and other written materials containing the trade secrets, through training and assistance provided to you hereunder, and by and through the performance of our other obligations under this Agreement.

(b) You acknowledge that we are the sole owner of all Proprietary Information and our trade secrets; that such information is being imparted to you only by reason of your special status as a franchisee of the System; and that our trade secrets are not generally known to our industry or the public at large and are not known to you except by reason of such disclosure. You further acknowledge that you will acquire no interest in the Proprietary Information and trade secrets disclosed to you, other than the right to use them in the development and operation of the Franchised Business during the term of this Agreement. In addition, you acknowledge that the use or duplication of our trade secrets except as expressly permitted by this Agreement constitutes an unfair method of competition and that we will suffer irreparable injury thereby.

(c) You agree that you will not do or permit any act or thing to be done in derogation of any of our rights in connection with the Marks, either during the term of this Agreement or thereafter, and that you will use these only for the uses and in the manner franchised and licensed hereunder and as herein provided. Furthermore, you and your employees and agents will not engage in any act or conduct that impairs the goodwill associated with the Marks.

9.4 Modification of Marks and Trade Dress.

We may add to, substitute or modify any or all of the Marks or Trade Dress from time to time, by directive in the Confidential Operations Manual. You must accept, use, display, or cease using, as may be applicable, the Marks and Trade Dress, including but not limited to, any such modified or additional trade names, trademarks, service marks, logo types and commercial symbols, and must within 30 days of receiving notification, commence to implement such changes and use your best efforts to complete such changes as soon as practicable.

9.5 Mark Infringement Claims and Defense of Marks.

(a) If you receive notice or otherwise become aware of any claim, suit or demand against you by any party other than us, the Owner of the Marks or any of our affiliates on account of any alleged infringement, unfair competition or similar matter arising from your use of the Marks in accordance with the terms of this Agreement, or any misuse of the Marks by third parties on the Internet or otherwise, you must promptly notify us of any such claim, suit, demand or misuse. You will have no power, right or authority to settle or compromise any such claim, suit or demand by a third party or to intervene to stop misuse, without our prior written consent. We will defend, compromise or settle at our discretion any such claim, suit or demand and take steps to stop misuse at our cost and expense, using attorneys selected by us or the Owner of the Marks, and you agree to cooperate fully in such matters.

(b) We will indemnify you and hold you harmless from and against any and all judgments resulting from any claim, suit or demand arising from your authorized and proper use of the Marks in accordance with the terms of this Agreement. We have the sole discretion to determine whether a similar trademark or service mark that is being used by a third party is confusingly similar to the Marks being used by you or constitutes a misuse of the Marks, and whether and what subsequent action, if any, should be undertaken with respect to such similar trademark or service mark or misuse.

X. MARKETING AND PROMOTION

10.1 Use of Marketing and Promotion Fees.

(a) BMF will expend, for the purposes of national, regional or local marketing, advertising, cooperative advertising, market research, public relations and promotional campaigns designed to promote and enhance the value of the Marks and general public recognition and acceptance thereof, an amount equal to the aggregate Marketing and Promotion Fees stated in section 4.3 hereof and collected from all of its franchisees less an administrative fee. None of the Marketing and Promotion Fees will be deemed to be held subject to any type of trust arrangement. No interest on unexpended Marketing and Promotion Fees will be imputed for your benefit or payable to you. If requested by you in writing not later than March 31 of any calendar year, we will provide you not later than May 31 of that year with a statement of receipts and expenditures of the aggregate Marketing and Promotion Fees relating to the preceding calendar year, certified to be correct by an officer of BMF.

(b) In our sole discretion and as we deem appropriate, BMF is obligated to spend the Marketing and Promotion Fees collected from you and all other Blue Martini franchisees (less our administrative fee) on regional, local or national media or other marketing techniques or programs designated to promote the retail sale of Blue Martini Products, the Marks and other aspects of the Blue Martini brand, creative and production costs, and for other purposes deemed appropriate by us to enhance and promote the general recognition of Blue Martini franchises.

(c) BMF may also spend Marketing and Promotion Fees collected from you and all other Blue Martini franchisees for BMF-approved initiatives, which may include branding and marketing studies, initiatives and research; test marketing new products or concepts; franchisee compliance with System standards and practices through a "mystery shopper" program; the development of marketing strategies, tools, initiatives, and materials; public relations; market research; annual conferences (excluding the expenses of our principals and employees to travel to such conferences); and occasional selective regional and local advertising.

10.2 Advertising Content and Costs.
With respect to local, regional or system-wide advertising, we determine the cost, form of media, content, format, production, timing (including regional or local concentration and seasonal exposure), location and all other matters relating to advertising, public relations and promotional campaigns.

XI. NON-COMPETITION COVENANTS

11.1 Exclusive In Term Dealing.

(a) You acknowledge that you will receive valuable specialized training and access to our Proprietary Information and trade secrets, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of the System. In consideration for the use and license of such valuable information, you agree that you will not during the term of this Agreement operate, manage, own, assist or hold an interest in (direct or indirect as an employee, officer, director, shareowner, partner or otherwise), or engage in, any competing business selling goods or offering services equivalent to Blue Martini Products or the Franchised Business, without our express prior written consent.

(b) It is the intention of both you and BMF that you maximize the Franchised Business within the Territory, and any action of yours that diverts business to another entity or diminishes the Franchised Business being conducted in the Territory will be a material breach of this Agreement. Accordingly, neither you nor any Principal Equity Owner may, either directly or indirectly, for yourself or themselves, or through, on behalf of, or in conjunction with, any person, persons, partnership, corporation or other entity, (i) divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, (ii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System, or (iii) solicit without our prior consent any person who is at that time employed by us or any related entity to leave his or her employment.

11.2 Post Termination Non-Competition Covenants.

For a period of two years after termination of this Agreement or its expiration without renewal pursuant to section 5.2 of this Agreement, you agree that neither you nor any Principal Equity Owner will (either directly or indirectly, for yourself or themselves, or through, on behalf of, or in conjunction with, any person, persons, partnership, corporation or other entity) operate, manage, own, assist or hold an interest in (direct or indirect as an employee, officer, director, shareowner, partner, joint venturer or otherwise), or engage in, any competing business selling goods or offering services equivalent to Blue Martini Products or the Franchised Business, within a radius of 25 miles of (i) your Outlet or (ii) any other authorized location selling Blue Martini Products, without our express prior written consent. In all events, at all times following termination or expiration of this Agreement, you must refrain from any use, direct or indirect, of any of our proprietary information.

11.3 General Provisions Regarding Non-Competition Covenants.

(a) You acknowledge that the restrictions contained in this Article XI are reasonable and necessary in order to protect our legitimate interests, and in the event of violation of any of these restrictions, we are entitled to recover damages including, without limitation, Royalties, Marketing and Promotion Fees and other fees that would have been payable if such business were included in the Franchised Business, and an equitable accounting of all earnings, profits and other benefits arising from such violation, which rights and remedies will be cumulative and in addition to any other rights or remedies to which we are entitled at law or in equity.

(b) This Article XI applies to your General Manager, Principal Equity Owners and each of your other managers, directors, officers, general partners and affiliates.

(c) Each provision of this Article XI is independent of each other provision of this Agreement. If any provision of this Article XI is held unreasonable or unenforceable by any court, agency or other tribunal of competent jurisdiction, you agree to be bound by the maximum duty permitted by law with respect to that provision, which will be deemed restated accordingly, and also agree to be bound by all other provisions of this Article XI.

XII. ASSIGNMENT

12.1 Assignment by Us.

We have the right to Assign this Agreement, and all of our rights and privileges hereunder ("Assignment by Us") to any other person, firm or corporation ("Our Assignee"); provided that (i) at the time of Assignment by Us, Our Assignee will be financially responsible and economically capable of performing the obligations of franchisor hereunder; and (ii) Our Assignee will expressly assume and agree to perform such obligations. In the event of such Assignment by Us, we will be relieved of all obligations or liabilities after the effective date of the assignment.

12.2 Assignment by You.

(a) This Agreement is being entered into in reliance upon and in consideration of the singular personal skills and qualifications of you and your Principal Equity Owners and the trust and confidence we repose in you and them. Therefore, neither your interest in this Agreement and the Franchise granted hereunder nor all or substantially all of the assets of the Franchised Business, nor a controlling or non-controlling interest in the Franchised Business, may be assigned, transferred, shared or divided, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise, in any manner (collectively, "Assignment by You"), without our prior written consent and subject to our right of first refusal provided for in section 12.3 hereof. Our consent to a specific Assignment by You is not cumulative and will not apply to any subsequent assignments, in respect of each of which you must comply with this section 12.2.

(b) Prior to any Assignment by You, you must notify us of your intent to sell, transfer or assign the Franchise, all or substantially all of the assets of the Franchised Business, or a controlling or non-controlling interest in the Franchised Business. The notice shall be in writing, delivered to us in accordance with section 16.1 hereof and include all of the following:

(i) The proposed transferee’s name and address;

(ii) A copy of all agreements related to the sale, assignment, or transfer of the Franchise, the assets of the Franchised Business, or the interest in the Franchised Business; and

(iii) The proposed transferee’s application for approval to become the successor franchisee. The application must include all forms, financial disclosures and related information generally utilized by us when interviewing prospective new franchisees, if those forms are readily made available to you. If the forms are not readily available, you must request that we deliver the forms to you by business courier in accordance with section 16.1 hereof within 15 calendar days. As soon as practicable after the receipt of the proposed transferee’s application, we will notify, in writing, you and the proposed transferee of any additional information or documentation necessary to complete the transfer application. If our then-existing standards for the approval of new or renewing franchisees are not readily available to you when you notify us of your intent to sell, transfer, or assign the Franchise, all or substantially all of the assets of the Franchised Business, or the controlling or non-controlling interest in the Franchised Business, we will communicate the standards to you within 15 calendar days.

(c) Within 60 days after the receipt of all of the necessary information and documentation required pursuant to section 12.2(b) above, or as specified by written agreement between us and you, we

will notify you of the approval or disapproval of the proposed Assignment by You. The notice will be in writing and delivered to you by business courier in accordance with section 16.1 hereof. Should we elect not to exercise our right of first refusal, or should such right of first refusal be inapplicable, as herein provided, our consent to the proposed Assignment by You will be deemed approved, unless disapproved by us in writing and for reasons permitted by the law governing this Agreement. If the proposed sale, assignment or transfer is disapproved, we will include in the notice of disapproval a statement setting forth the reasons for the disapproval. We may impose, among other things, the following conditions precedent to our consent to any such Assignment by You (these conditions are consistently applied to similarly situated franchisees operating under the Franchise brand):

(i) The assignee of yours ("Your Assignee") must complete our application for a franchise, and in connection therewith, you and Your Assignee must fully disclose in writing all of the terms and conditions of the Assignment by You;

(ii) Your Assignee and the principal equity owners of Your Assignee demonstrate they have the skills, qualifications and economic resources necessary, in our sole judgment, to conduct the business contemplated by this Agreement;

(iii) Your Assignee and each principal equity owner of Your Assignee expressly assumes in writing for our benefit all of your obligations under this Agreement;

(iv) Your Assignee executes the then current form of Franchise Agreement being used by us for the remainder of the term of this Agreement (unless we have a reasonable basis not to allow this, you may elect to have Your Assignee assume this Agreement for the remainder of its term);

(v) You must have complied fully as of the date of any such Assignment by You with all of your material obligations to us, whether under this Agreement or any other agreement, arrangement or understanding with us;

(vi) Your Assignee agrees that our Initial Training program described in section 6.1 hereof and any other training or orientation programs then required by us will be satisfactorily completed by necessary personnel within 30 days after the execution by Your Assignee of a Franchise Agreement, provided, however, that Your Assignee must agree to pay for all of his, her or its expenses incurred in connection therewith, including any fee we charge for training (at the rate in effect at the time of transfer), travel, hotel and meal expenses; and

(vii) Not later than 10 days before the transfer, you must pay us a non-refundable “Transfer Fee” of (i) $5,000, if the existing General Manager will continue to act in this capacity after the transfer, or (ii) $10,000, if a new General Manager needs to be approved and trained by BMF. The Transfer Fee is subject to adjustment in our discretion based on corresponding changes in the CPI since the Effective Date.

(d) You do not have a right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever (except that with our consent, which will not be unreasonably withheld, you may pledge a security interest in this Agreement in connection with a Small Business Administration loan), nor subfranchise or otherwise transfer, or attempt to subfranchise or otherwise transfer the Franchised Business, or to transfer or subfranchise a portion but not all of your rights hereunder without our express prior written consent, which may be withheld for any reason in our sole discretion.

(e) Any attempt by you to assign or any purported Assignment by You in violation of this section 12.2 is void and will (i) constitute a material breach of this Agreement, (ii) cause this Agreement (and in our sole discretion any or all other agreements between you and us, or between you and our affiliates) to be subject to immediate termination without further notice, and (iii) confer no rights or interest whatsoever under this Agreement upon any other party.

(f) Upon our consent to any Assignment by You, you must bring all accounts with us current and transfer to your assignee all membership contracts signed by customers of the Franchised Business conducted at your Outlet. Also, you must (i) execute an agreement among you, BMF and your assignee effecting the Assignment by You, which will include a mutual release between you and BMF and (ii) enter into an assignment of the lease for the Outlet premises (including an assignment to the assignee of your rights, title and interest to telephone numbers and utilities respecting the Outlet).

(g) If you Assign your Franchised Business (which must be done in full compliance with this section 12.2), the transferee must be trained by us as a condition of our consent to such Assignment by You. The assigned Franchised Business may not be opened or re-opened by the assignee until we accept the assignee in writing as being qualified to operate the Franchised Business and we have otherwise consented to the Assignment by You in accordance with this Agreement.

12.3 Right of First Refusal.

(a) Except for a transfer to your heirs, personal representatives or conservators in the case of death or legal incapacity as provided in section 12.6 hereof, your right to Transfer your entire interest in the Franchise granted by this Agreement under section 12.2 hereof is subject to our right of first refusal, which will be exercised in accordance with the terms of this section 12.3.

(b) You must deliver to us a written notice setting forth (i) all of the terms and conditions of any *bona fide* offer relating to a proposed Assignment by You, and (ii) all available information concerning Your Assignee including a detailed summary of how the proposed assignee meets our qualifications for a new Blue Martini franchisee, and any other related information requested by us. If the specified terms and conditions include consideration of a non-monetary nature, such consideration must be expressed in reasonably equivalent monetary terms, and if it involves matters that cannot be stated in monetary terms, such consideration will not be considered in connection with our right of first refusal.

(c) Within 15 days after our receipt of such notice (or if we request additional information, within 10 days after receipt of such additional information), we may either (i) consent or withhold our consent to such Assignment by You, in accordance with section 12.2 hereof, or (ii) at our option, accept the Assignment by You ourselves or on behalf of our nominee upon the terms and conditions specified in the notice.

(d) If we elect not to exercise our right of first refusal and consent to the Assignment by You, you will for a period of 60 days, and subject to the provisions of section 12.2 hereof, be free to assign this Agreement to such proposed Assignee upon the terms and conditions specified in said notice. If, however, these terms are modified in any material manner (as determined by us), or if said 60-day period expires, we will again have such right of first refusal with respect thereto and you will again be required to comply with section 12.3(b) above. Detailed terms of assignment must be delivered to us no later than 72 hours following the close of escrow or other consummation of the transaction.

12.4 Transfers to Certain Family Members.

You or a Principal Equity Owner, if a natural person, may with our consent, which will not be unreasonably withheld, transfer the Franchised Business or an equity interest in your franchised entity to such person's spouse or person having equivalent rights under applicable federal or state law, parent, sibling, niece, nephew, descendant or spouse’s descendant provided that adequate provision is made for the management of the Franchised Business and the transferor guarantees, in form and substance satisfactory to us, the performance of the transferee's obligations under this Agreement. No transfer under this section 12.4 will be subject to our right of first refusal set forth in section 12.3 hereof. However, you must comply with section 12.2(b)(i) through (vi) above, as well as provide full disclosure of the terms of said transfer and deliver to us no later than three business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to us no less than three business days following the close of the transaction.

12.5 Transfers to Affiliated Entities.

You or a Principal Equity Owner may without our consent, upon 30 days prior written notice to us, Transfer the Franchised Business or an equity interest in your franchised entity to an entity that is (i) organized for the purpose of operating the Franchised Business and (ii) owned in the same proportionate amount of ownership as prior to such Transfer, provided that adequate provision is made for the management of the Franchised Business. No Transfer under this section 12.5 will be subject to our right of first refusal set forth in section 12.3 hereof or the Transfer Fee set forth in section 12.2(b)(vii) hereof. However, you must comply with section 12.2(b)(i) through (vi) above, as well as provide full disclosure of the terms of said transfer and deliver to us no later than three business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to us no less than three business days following the close of the transaction.

12.6 Transfers upon the Death or Incapacity of an Individual Franchisee or Majority Equity Owner.

(a) Notwithstanding the foregoing, in the event of your death or legal incapacity, if you are an individual, or the death or legal incapacity of a Principal Equity Owner holding a majority equity interest ("Majority Equity Owner") if you are a corporation, limited liability company or partnership, the transfer of your or the deceased Majority Equity Owner's interest in this Agreement to his or her heirs, personal representatives or conservators, as applicable, will not be deemed an Assignment by You (provided that in the event of your death a responsible management employee or agent of yours that has been satisfactorily trained by us will be responsible for the Franchised Business).

(b) In the event of the death of a sole proprietor franchisee or the death of a Majority Equity Owner, such person's interest in this Agreement or its equity interest in the franchise entity must Transfer as soon as practicable (but not more than 270 days) after the date of death in accordance with such person's will or, if such person dies without a will, in accordance with laws of intestacy governing the distribution of such person's estate, provided that adequate provision is made for the management of the Franchised Business. If we determine (i) there is no imminent sale to a qualified successor or (ii) there is no heir or other Principal Equity Owner capable of operating the Franchise, we may (but are not obligated to) immediately commence operating the Outlet on your behalf for a period of up to 90 days, renewable as necessary for up to one year and we will periodically discuss the status with the heirs of the decedent. For such management assistance, you or the successor in interest must pay a reasonable *per diem* charge we set for the interim manager.

(c) No Transfer under this section 12.6 will be subject to (i) our right of first refusal set forth in section 12.3 hereof or (ii) the Transfer Fee set forth in section 12.2(b)(vii) above, although such refusal right and Transfer Fee will be applicable to any subsequent Transfer by your (or a Majority Equity Owner's) heirs, personal representatives or conservators. However, you must comply with section 12.2(b)(i) through (vi) above, as well as provide us with full disclosure of the terms of said transfer not later than three business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to us no less than three business days following the close of the transaction.

12.7 Consent to Transfers.

Except as otherwise provided in this Agreement and subject to our right of first refusal provided in section 12.3 hereof, you or an Principal Equity Owner may consummate any Transfer of a direct or indirect interest in this Agreement, the Franchised Business or the economic benefits derived therefrom, or any equity interest in your franchised entity, not permitted by the preceding sections 12.4, 12.5 and 12.6, only after written notice to us and only with our written consent, which will not be unreasonably withheld.

XIII. DEFAULT AND TERMINATION

13.1 General.

(a) This Agreement may be terminated by us only for good cause, which means your failure to substantially comply with the lawful requirements imposed upon you by this Agreement after being given notice at least 30 days (except in the case of non-payment of royalty fees, in which case it is at least 14

days) in advance of the termination and a reasonable opportunity, which in no event will be less than 30 days (except in the case of non-payment of royalty fees) from the date of the notice of noncompliance, to cure the failure (provided that this section 13.1(a) does not apply when there are grounds for immediate termination without notice pursuant to section 13.2 below).

(b) If we are in material breach of this Agreement, you may terminate this Agreement by giving us prior written notice setting forth the asserted breach of this Agreement and giving us 30 days in which to cure the default. A material breach of this Agreement by us means any unauthorized action or omission seriously impairing or adversely affecting you or the relationship between you and us created by this Agreement. However, if BMF becomes insolvent or declares bankruptcy, you will continue to have the right to operate under this Agreement until and unless a court orders otherwise.

(c) Notwithstanding anything contained herein to the contrary, in those circumstances under which we have the right to terminate this Agreement, we also have the option, to be exercised in our sole discretion, to choose alternative remedies to our right to terminate the entire Agreement.

(d) Notwithstanding anything contained herein to the contrary, in those circumstances under which we have the right to terminate this Agreement, we have the right to exercise any and all remedies available to us at law or in equity, including without limitation specific performance and damages (including without limitation punitive damages). All rights and remedies provided herein are in addition to and not in substitution of all other rights and remedies available to a party at law or in equity.

13.2 Immediate Termination.

(a) We have the right to terminate this Agreement immediately upon notice to you without an opportunity to cure if:

(i) You admit your inability to pay your debts as they come due, or you or the business to which the Franchise relates (A) has been the subject of an order for relief in bankruptcy, (B) is judicially determined to be insolvent or (C) has all or a substantial part of your or its assets assigned to or for the benefit of any creditor;

(ii) You Abandon the Franchise by failing to operate the Outlet for five consecutive business days during which you are required to operate the business under the terms of this Agreement, or any shorter period after which it is not unreasonable under the facts and circumstances for us to conclude that you do not intend to continue to operate the Franchise, unless such failure to operate is due to fire, flood, earthquake or other similar causes beyond your control;

(iii) We and you agree in writing to terminate the Franchise;

(iv) You make any material misrepresentations relating to the acquisition of the Franchise or you engage in conduct that reflects materially and unfavorably upon the operation and reputation of the Franchised Business or the System;

(v) You fail, for a period of 10 days after notification of noncompliance, to comply with any federal, state, or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the Franchise;

(vi) After curing any failure in accordance with section 13.3 below, you engage in the same noncompliance whether or not corrected after notice;

(vii) You repeatedly fail to comply with one or more requirements of this Agreement, whether or not corrected after notice;

(viii) The Franchised Business or business premises of the Franchise are seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or

foreclosed by a creditor, lien holder or lessor, provided that a final judgment against you remains unsatisfied for 30 days (unless an appeal bond has been filed); or a levy of execution has been made upon the license granted by this Agreement or upon any property used in the Franchised Business, and it is not discharged within five days of such levy;

(ix) You are convicted of a felony or any other criminal misconduct (including intentional conversion of cash proceeds received from your customers but not reported as Gross Revenues) which is relevant to the operation of the Franchise;

(x) If an audit or investigation conducted by us discloses that you knowingly maintained false books or records, or submitted false reports to us, or knowingly understated your Gross Revenues or you withheld the reporting of any of your Gross Revenues, or reveals an under reporting or under recording error on any single occasion of 5% or more;

(xi) We make a reasonable determination your continued operation of the Franchise will result in an imminent danger to public health or safety;

(xii) If after you have located and secured suitable premises (that we consent to) for your Outlet, you have not commenced operation of the Franchised Business within two years after the Effective Date; or

(xiii) If you default in any material obligation in respect of which you twice previously within the preceding 12 months have received a notice of default from us with respect to the same or similar breach.

13.3 Termination After Notice.

(a) If we give you written notice to cure a violation of Article IX of this Agreement (which may include a statement of the method of cure to be employed), you must commence such cure within two business days and must effect a complete cure and remedy the damage caused by such violation as fully as possible in the shortest possible time, in no event more than 30 days; and you must take reasonable action to prevent recurrence of the same type of violation.

(b) With respect to any default by you of your obligation to pay any sums due us under this Agreement, we may terminate this Agreement upon not less than 14 days prior written notice of this default. If you cure the default prior to the end of such period by paying all sums due us, our right to terminate will cease with respect to that breach.

(c) Except as provided in sections 13.2, 13.3(a) and 13.3(b) hereof, we may terminate this Agreement only after giving you prior written notice setting forth the asserted breach of this Agreement and giving you 30 days in which to cure the default. Upon receipt of a notice of default, you must immediately commence diligently to cure said breach, and if you cure said breach within 30 days, our right to terminate this Agreement for that breach will cease. If because of the nature of the breach, it would be unreasonable for you to be able to cure the default within 30 days, you will be given additional time (up to 15 days) as is reasonably necessary in our determination to cure said breach, upon condition that you must, upon receipt of such notice from us, immediately commence to cure such breach and continue to use your best efforts to do so.

(d) If your rights under this Agreement are terminated by us for material breach, we may, at our option, declare you in default of all of the other franchise agreements or other agreements you have with us, and terminate your rights under those other agreements as well.

(e) The description of any default in any notice served by us hereunder upon you in no way precludes us from specifying additional or supplemental defaults in any action, arbitration, mediation, hearing or suit relating to this Agreement or the termination thereof.

13.4 Description of Default.

The description of any default in any notice served by us hereunder upon you in no way precludes us from specifying additional or supplemental defaults in any action, arbitration, mediation, hearing or suit relating to this Agreement or the termination thereof.

13.5 Statutory Limitations.

Notwithstanding anything to the contrary in this Article XIII, in the event any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties hereto limits our rights of termination hereunder or requires longer notice periods than those set forth herein, and in the event the parties are prohibited by law from agreeing to the shorter periods set forth herein, then this Agreement will be deemed amended to conform to the requirements of such laws and regulations, but in such event the provisions of the Agreement thus affected will be amended only to the extent necessary to bring it within the requirements of the law or regulation.

13.6 Extended Cure Period.

Notwithstanding anything contained herein to the contrary, including, without limitation, section 13.3(c) hereof, in those circumstances under which we have the right to terminate this Agreement, we also have the right, to be exercised in our sole discretion, to grant to you in writing only, in lieu of termination of this Agreement, an extended period of time to cure the breach which gave rise to our right to terminate, but in no event may such extended cure period exceed six months from the last day of the cure period otherwise applicable to such breach. You acknowledge that our election to grant an extended cure period to you will not operate as a waiver of any of our rights hereunder.

13.7 Our Right to Cure Your Defaults.

In addition to all other remedies herein granted, if you default in the performance of any of your obligations or breach any term or condition of this Agreement or any related agreement involving third parties, we may, at our election, immediately or at any time thereafter, without waiving any claim for breach hereunder and without notice to you, cure the default for your account and on your behalf, and all costs or expenses including attorney's fees incurred by us on account thereof are due and payable by you to us on demand.

13.8 Waiver and Delay.

No waiver by us of any breach or series of breaches or defaults in performance by you and no failure, refusal or neglect of ours either to exercise any right, power or option given to us hereunder or to insist upon strict compliance with or performance of your obligations under this Agreement or the Confidential Operations Manual, constitutes a waiver of the provisions of this Agreement or the Confidential Operations Manual with respect to any subsequent breach thereof or a waiver by us of our right at any time thereafter to require exact and strict compliance with the provisions thereof.

13.9 Recovery of Lost Royalty.

If this Agreement is terminated because of your material breach, based on the estimated time it takes for a replacement franchise outlet to achieve a similar revenue stream, we are entitled to recover liquidated damages equal to the amount of the Royalty paid by you during (i) the three years prior to the date this Agreement was terminated or (ii) if the Opening Date is less than three years before the termination date, the time since the Opening Date.

13.10 Collection Costs.

We are entitled to reimbursement from you upon our demand of all costs we have incurred (including reasonable attorneys' fees) to enforce our rights under this Agreement, including actions to collect any amounts due and delinquent hereunder.

13.11 Continuance of Business Relations.

Any continuance of business relations between you and us after termination of this Agreement will not be construed as a renewal, extension or continuation of this Agreement.

XIV. DISPUTE RESOLUTION

14.1 Mediation.

(a) We and you have entered into a long-term franchise relationship which gives rise to an obligation, subject to and consistent with the terms of this Agreement, to endeavor to make the relationship succeed, in light of the overall best interests of the System, as contemplated by this Agreement. To that end, you and we acknowledge that you and we need to attempt to resolve disagreements or disputes before such disagreements or disputes negatively impact the relationship. Good faith communications between us are an important aspect of that obligation. The parties hereby pledge and agree that they will first attempt to resolve any dispute, claim or controversy arising out of or relating to this Agreement or any alleged breach hereof, including any claim that this Agreement or any part hereof is invalid, illegal or otherwise voidable or void (collectively, "Dispute") by first having our executive officers and your Principal Equity Owners meet in person at our principal executive office and conduct a good faith discussion and negotiation of the issues with a view to arriving at a settlement.

(b) If we are unable to settle the Dispute at this settlement conference, within 10 days after that conference we will submit the dispute to mediation conducted before JAMS, Inc. ("JAMS"), in accordance with its mediation guidelines unless the parties agree on a different mediator within 15 days after either party first gives notice of mediation. The mediation proceedings will be conducted in Palm Beach County, Florida and should be completed within 45 days following the date either party first gives notice of mediation. The fees and expenses of the mediator will be shared equally by the parties. The mediator will be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter. Mediation is a compromise negotiation and will constitute privileged communications under the law governing this Agreement. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission as a result of its use in the mediation.

14.2 Arbitration.

(a) Any Dispute between us (and/or our affiliated entities) and you (and/or your Principal Equity Owners or affiliated entities) that is not resolved through mediation, will be resolved through binding arbitration by one arbitrator from the list of retired judges referred by JAMS and selected by the parties in accordance with its Streamlined Arbitration Rules and Procedures (if the amount in controversy is less than $250,000) or its Comprehensive Arbitration Rules and Procedures (if the amount in controversy is $250,000 or more), or if the parties in dispute mutually agree, through binding arbitration by any other mutually agreeable arbitration organization. It is explicitly agreed by each of the parties hereto that no arbitration of any Dispute may be commenced except in accordance with this section 14.2.

(b) Arbitration proceedings will be conducted individually by a single plaintiff, and not as a class or by multiple plaintiffs in one action. All hearings and other proceedings will take place at the JAMS business location in Miami, Florida, or if we so elect, in the JAMS business location nearest where your (or an applicable Principal Equity Owner's principal place of business) is then located.

(c) Either party may present briefs and affidavits of witnesses who are unable to attend hearings. Otherwise, no affidavits, interrogatories, depositions or other discovery is permitted. The arbitrator will have the right to award or include in the award any relief that the arbitrator deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due),

specific performance and injunctive relief, provided that the arbitrator will not have the right to declare any Mark generic or otherwise invalid or to award punitive damages. The arbitration award will be final and binding on the parties, and judgment on the award may be entered in any federal or state court having jurisdiction.

(d) This arbitration provision is deemed to be self-executing and will remain in full force and effect after expiration or termination of this Agreement. If either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding said failure to appear.

(e) The provisions of this section 14.2 are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Furthermore, this section 14.2 will be construed as independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court is respectfully requested to modify or interpret such provisions to the minimum extent necessary to comply with the law.

[Our Initials: _____ Your Initials: _____]
[Principal Equity Owners' Initials: _____ _____ _____ _____ _____]

14.3 Injunctive Relief.

Any party has the right in a situation where there is an imminent threat of harm to the legal rights of a party and damages would not be adequate relief to seek a temporary restraining order and temporary or preliminary injunctive relief from a court of competent jurisdiction in Florida, without the necessity of posting any bond and without the necessity of first complying with sections 14.1 and 14.2 above, and if bond is nevertheless required by a court of competent jurisdiction, the parties agree that the sum of $1,000 will be a sufficient bond (this amount may be adjusted by changes in the Consumer Price Index since the Effective Date). If an arbitration proceeding has already commenced pursuant to section 14.2 above when a party seeks injunctive relief, then the party seeking such injunctive relief agrees to contemporaneously submit the merits of its dispute to the arbitrator. The existence of a proceeding commenced under section 14.1 or 14.2 above will in no event abate or otherwise affect the ability of party to seek injunctive relief on account of this section 14.3. You acknowledge that you are one of a number of licensed franchisees using the Marks and that failure on your part to comply fully with any of the terms of this Agreement respecting the obligations regarding examinations, audits and the Marks could cause irreparable damage to us or other affiliated persons or entities and we or our affiliates may seek injunctive relief to protect the Marks. This covenant is independent, severable and enforceable notwithstanding any other rights or remedies that any party may have.

14.4 Legal Fees and Expenses.

The prevailing party in any arbitration or litigation to resolve a dispute between any of the parties hereto will be entitled to recover from the losing party reasonable legal fees (and incurred costs of the prevailing party's counsel) and all other expenses incurred by the prevailing party in bringing or defending such arbitration, action or proceeding and/or enforcing any resulting award or judgment (including without limitation arbitration or court filing fees, expert and other witness fees, discovery expenses and compensation payable to the arbitrator), whether incurred prior to or in preparation for or in contemplation of the filing of the action or thereafter. The prevailing party will be determined by the arbitrator or court. This section 14.4 is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

14.5 Survival.

The terms of this Article XIV survive termination, expiration or cancellation of this Agreement.

XV. OBLIGATIONS AND RIGHTS UPON TERMINATION OR EXPIRATION

15.1 Your Obligations.

(a) In the event of termination, cancellation or expiration of this Agreement whether by reason of your breach, default, non-renewal, lapse of time or other cause, in addition to any other obligations provided for in this Agreement, you must forthwith discontinue the use or display of the Marks in any manner whatsoever, and you may not thereafter operate or do business under the Marks or any other Blue Martini brand or any other name or in any manner that might tend to give the general public the impression that you are in any way associated or affiliated with us, or any of the businesses conducted by us or the owner of the Marks, including without limitation repainting the business premises in a distinctively different color and removing or rearranging distinctive elements of the Blue Martini trade dress. You must contact Yelp, other online review sites and other online directories and websites, and request the removal of all use of the trademarks in connection with the former Blue Martini outlet (and the physical address of the former Blue Martini outlet) and all use of former reviews from the period you were a Blue Martini franchisee. And, you also must comply with section 15.2 respecting the return to us of certain materials and must not thereafter use, in any manner, or for any purpose, directly or indirectly, any of our trade secrets, procedures, techniques, or materials acquired by you by virtue of the relationship established by this Agreement, including, without limitation, (i) any training or other materials, manuals, bulletins, instruction sheets, or supplements thereto, or (ii) any equipment, videotapes, videodiscs, forms, advertising matter, devices, insignias, slogans or designs used from time to time in connection with the Franchised Business.

(b) If there is a termination, cancellation or expiration as described in section 15.1(a) above, you must comply with section 11.2 of this Agreement respecting post-termination competition and also promptly:

(i) Remove at your expense all signs erected or used by you and bearing the Marks, or any word or mark indicating that you are associated or affiliated with BMF;

(ii) Erase or obliterate from letterheads, stationery, printed matter, advertising or other forms used by you the Marks and all words indicating that you are associated or affiliated with BMF;

(iii) Permanently discontinue all advertising of yours that states or implies that you are associated or affiliated with BMF or the System;

(iv) If you engage in any business thereafter, you must use trade names, service marks or trademarks that are significantly different from those under which you had done business and must use sign formats that are significantly different in color and type face; and take all necessary steps to ensure that your present and former employees, agents, officers, shareholders and partners observe the foregoing obligations; and

(v) Assign all interest and right to use all telephone numbers and all listings applicable to the Outlet in use at the time of such termination to us and take all action necessary to change all such telephone numbers immediately and change all such listings as soon as possible.

(c) If you fail or omit to make or cause to be made any removal or change described in section 15.1(b)(i) through 15.1(b)(vi) above, then we will have the right within 15 days after written notice to enter your Outlet or other premises from which the Franchised Business is being conducted without being deemed guilty of trespass or any other tort, and make or cause to be made such removal and changes at your expense, which expenses you agree to pay to us promptly upon demand; and you hereby irrevocably appoint us as your lawful attorney upon termination of this Agreement with authority to file any document in the name of and on our behalf for the purpose of terminating any and all of your rights in any trade name you have used that contains any of the Marks.

15.2 Our Rights as Franchisor Upon Termination or Expiration.

(a) The termination, cancellation, expiration or assignment of this Agreement will be without prejudice to any rights of us against you and such termination, cancellation, expiration or assignment will not relieve you of any of your obligations to us existing at the time of termination, cancellation, expiration or assignment or terminate those obligations of ours which, by their nature, survive the termination, cancellation, expiration or assignment of this Agreement.

(b) We may direct that all applicable suppliers immediately cease providing you with equipment, marketing materials, email access, website access, accessories and other items comprising or to be used to provide Blue Martini Products.

(c) You are obligated to return, at no expense to us, any and all copies of the Confidential Operations Manual and all other Blue Martini proprietary materials and any other items that were supplied by us for your use without additional charge in connection with the operation of the Franchised Business. You must also permanently erase anything relating to us or the Franchised Business from any computers and other media storage devices you retain after expiration, cancellation or termination of this Agreement.

(d) Within 30 days after termination, expiration or non-renewal of this Agreement, we will have the option, but not the obligation, to purchase all or any portion of your reusable inventory, apparel containing the Marks, proprietary equipment, parts, supplies, fixtures and furnishings owned and used by you in your franchised operation. We will be permitted to deduct and withdraw from the purchase price to be paid to you all sums then due and owing to us. The purchase price for your reusable inventory and apparel containing the Marks will be at your cost for said items. The purchase price for the proprietary equipment, parts, fixtures and furnishings will be the fair market value thereof. In determining the fair market value of such items, you and we agree to exclude any factor or increment for goodwill or going concern value. The purchase price to be paid to you will be paid in cash at the closing of any purchase that will occur no less than 30 days from the date we exercise our option, unless you and we are unable to agree on the fair market value of the assets to be purchased. If you and we are unable to reach agreement within a reasonable time as to the fair market value of the items we have agreed to purchase, we will designate an independent appraiser, and the appraiser's determination will be binding. You and we must each pay 50% of the fee charged by the independent appraiser.

15.3 Our Option to Purchase Outlet or Assets upon Transfer of Controlling Equity Interest in Our Entity.

(a) If the controlling equity ownership interest in our entity is transferred to third parties (either by reason of a private sale or an initial public offering), we have the option, exercisable by giving you written notice of exercise within 60 days after the effective date of transfer ("Control Transfer Date") of the controlling equity ownership interest in our entity, to purchase from you and your Principal Equity Owners all the assets of the Outlet and assume all of your agreements (including any lease or rental agreement) relating to the Outlet either (i) as soon as practicable after said notice is given if your Outlet has then been open and operating for 12 months or more, or (ii) on the first anniversary of the Opening Date or sooner at your option (if your Outlet had not then been open and operating for at least 12 months as of the Control Transfer Date). Assets of the Outlet will include, without limitation, leasehold improvements, equipment, fixtures, furniture, furnishings, signs, inventory and assignable licenses. We have the right to assign this option. We or our assignee will be entitled to all customary warranties, representations and pro-rations in connection with this asset purchase. You must cooperate with us in obtaining any necessary consent from the lessor of the premises where the Outlet is located or from others.

(b) The purchase price for the assets of the Outlet purchased by us pursuant to this section 15.3 will be (i) four times your Outlet's earnings before interest, taxes, depreciation or amortization ("EBITDA") during the 12 full calendar months before the effective date of our purchase of assets pursuant to section 15.3(a) above or (ii) if the Outlet has been open less than 12 months, the greater of (A) four times your Outlet's EBITDA since the Opening Date or (B) repayment of your verified costs incurred to build out your Outlet.

(c) The purchase price will be paid in cash at the closing of the purchase, by means of a check, wire transfer or electronic funds transfer, which will take place no later than the effective date of our purchase of assets pursuant to section 15.3(a) above, at which time you must deliver instruments transferring to us or our assignee (i) good and marketable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us or our assignee), with all sales and other transfer taxes paid by you; and (ii) all licenses of the Outlet and/or permits which may be assigned or transferred. If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale will be accomplished through an escrow. We will have the right to set off against and reduce the purchase price by any and all amounts owed by you to us, the amount of any encumbrances or liens against the assets, and any liability of you assumed or paid for by us.

XVI. GENERAL TERMS AND PROVISIONS

16.1 Notices.

(a) All notices that the parties hereto are required or may desire to give under or in connection with this Agreement will be in writing and (unless personally delivered by an agent of the sending party) must be sent by reliable overnight courier, for delivery on the next business day and addressed as follows:

(i) If to us:

BLUE MARTINI FRANCHISING, LLC
477 S ROSEMARY AVE STE 224
WEST PALM BEACH FL 33401-5758
Phone: (561) 820-8071

(ii) If to you:

_____
_____
_____.

(b) Any notice between you and us will be deemed given the earlier of (i) the next business day after deposit with a reliable overnight courier, properly addressed and marked for delivery on the next business day or (ii) when actually delivered in person by the sending party or his, her or its agent.

(c) Any change in the addresses listed in section 16.1(a) above must be sent to the other party as soon as practicable after the change occurs by reliable overnight courier.

16.2 Indemnity.

(a) You and your Principal Equity Owners, jointly and severally, hereby agree to protect, defend and indemnify BMF, and all of our past, present and future owners, affiliates, officers, directors, employees and designees, and each of them, and hold them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person or entity or to any property arising out of or in connection with your development, maintenance or operation of the Outlet and the Franchised Business, except to the extent these were caused by our intentional misfeasance, gross negligence or material default of our obligations under this Agreement.

(b) In order for the indemnification to be effective, each party entitled to indemnification hereunder must give the indemnifying party prompt written notice of any claim for which the indemnified party demands indemnity (provided that such obligation will not constitute a condition to the indemnifying party's indemnification obligation unless the indemnifying party has been materially harmed by such delay). We will retain the full right and power to direct, manage, control and settle the litigation of any claim. Each indemnified

party must submit all of its claims to its insurers in a timely manner. Any payments made by an indemnified party will be net of benefits received by any indemnified party on account of insurance in respect of such claims.

16.3 Your Relationship to Us as Franchisee.

It is expressly agreed that the parties intend by this Agreement to establish between you and us the relationship of franchisee and franchisor. It is further agreed that you have no authority to create or assume in our name or on our behalf, any obligation, express or implied, or to act or purport to act as agent or representative on our behalf for any purpose whatsoever. Neither you nor we are the employer, employee, agent, partner, fiduciary or co-venturer of or with the other, each being independent. You agree that you will not hold yourself out as our agent, employee, partner or co-venturer or the Owner of the Marks. All employees or agents hired or engaged by or working for you will be only the employees or agents of yours and will not for any purpose be deemed employees or agents of ours or the Owner of the Marks, nor subject to our control; and in particular, we will have no authority to exercise control over the hiring or termination of these employees, independent contractors, or others who work for you, their compensation, working hours or conditions, or their day-to-day activities, except to the extent necessary to protect the Marks. You agree to diligently work to resolve negative customer reviews and respond to customer indications of dissatisfaction with services rendered by you in a diligent and professional manner and agree to cooperate with representatives of ours or the Owner of the Marks in any investigation undertaken by us of complaints respecting your activities. You and we agree to file our own tax, regulatory and payroll reports with respect to our respective employees or agents and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof. You agree that you are solely responsible for the day-to-day operations and management of your Outlet and compliance with all applicable laws and regulations governing the Outlet and the Franchised Business. You hereby agree to release and hold us harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands, from you or any third parties resulting from the operation of your Outlet and your compliance with all applicable laws and regulations governing your Outlet and the Franchised Business including, but not limited to: responsible vendor claims regarding the service of liquor from your Outlet, even when such claims are the result of your use of the alcoholic drink recipes provided by us in the Operations Manual, compliance with liquor license laws and regulations, or any loss of value to your Outlet caused by Franchisee's failure to comply with all applicable laws and regulations in the operation of your Outlet and the Franchised Business described herein.

16.4 No Third Party Beneficiaries.

This Agreement is not intended to benefit any other person or entity except the named parties hereto and no other person or entity (other than our financing sources to whom we may have granted or consented to a collateral assignment of this Agreement) will be entitled to any rights hereunder by virtue of so-called "third party beneficiary rights" or otherwise.

16.5 Survival of Covenants.

The covenants contained in this Agreement that by their terms require performance by the parties after the expiration or termination of this Agreement will be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

16.6 Successors and Assigns.

This Agreement is binding upon (i) us and inures to the benefit of our successors and assigns and (ii) you and inures to the benefit of your successors and assigns, subject to the restrictions on Assignment by You contained herein.

16.7 Joint and Several Liabilities.

If the entity that is the franchisee under this Agreement consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to us are joint and several.

16.8 Titles for Convenience Only.

Section titles used in this Agreement are for convenience only and do not affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.

16.9 Gender.

All terms used in any one number or gender will extend to mean and include any other number and gender as the facts, context or sense of this Agreement or any section may require.

16.10 Severability; Partial Invalidity.

Nothing contained in this Agreement will be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between (i) any provisions of this Agreement or the Confidential Operations Manual and (ii) any present or future statute, law, ordinance, regulation or judicial decision, contrary to which the parties have no legal right under this Agreement, the latter will prevail, but in such event the provision of this Agreement or the Confidential Operations Manual thus affected will be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, article, section, sentence or clause of this Agreement or the Confidential Operations Manual is held to be indefinite, invalid or otherwise unenforceable, that specific language will be deemed deleted but the remaining parts thereof will continue in full force and effect.

16.11 Counterparts.

This Agreement may be executed in multiple copies, each of which will be deemed to be an original, and both of which together will be deemed to be one and the same instrument.

16.12 Compliance with U.S. Anti-Terrorism and Other U.S. Federal Laws.

(a) You and each of the Principal Equity Owners certify that none of you, the Principal Equity Owners, employees, or anyone associated with you is listed in the Annex to Executive Order 13224 (available at http://treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html). You covenant not to hire or have any dealings with a person listed in the Annex. You certify that you have no knowledge or information that, if generally known, would result in you, the Principal Equity Owners, employees or anyone associated with you being listed in the Annex to Executive Order 13224. You and each of the Principal Equity Owners will comply with and assist us to the fullest extent possible in our efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, you and each of the Principal Equity Owners certify, represent and warrant that none of your respective property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that you and the Principal Equity Owners are not otherwise in violation of any of the Anti-Terrorism Laws. You are solely responsible for ascertaining what actions must be taken by you to comply with all such Anti-Terrorism Laws. You specifically acknowledge and agree that your indemnification responsibilities as provided in this Agreement pertain to your obligations under this section 16.12. Any misrepresentation by you under this section 16.12 or any violation of the Anti-Terrorism Laws by you, any of the Principal Equity Owners, or employees will constitute grounds for immediate termination of this Agreement and any other agreement you entered into with us or one of our Affiliates. "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists, and any other requirements of any United States governmental authority (including, without limitation, the United States

Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

(b) Neither you nor any Principal Equity Owner conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under any applicable Anti-Terror Legislation.

(c) Neither you nor any Principal Equity Owner nor any employee of either is named as a "Specially Designated National" or "Blocked Person" as designated by the U.S. Department of the Treasury's Office of Foreign Assets Control and published at www.treas.gov/offices/enforcement/ofac/sdn/. You acknowledge that you are not directly or indirectly owned or controlled by the government of any country that is subject to a United States embargo, nor do you or any Principal Equity Owner act directly or indirectly on behalf of the government of any country that is subject to a United States embargo. You and the Principal Equity Owners agree that you will notify us in writing immediately of the occurrence of any event that renders the foregoing representations and warranties of this section 16.12 incorrect.

[Your Initials: _____ Principal Equity Owners' Initials: _____ _____ _____ _____ _____]

16.13 Governing Law.

The Federal Arbitration Act (9 U.S.C. §1 *et seq*.) governs the arbitration of disputes under this Agreement. Otherwise, the laws of the state of Florida govern this Agreement and all related matters, documents and agreements, without regard to conflicts of laws. If any provision of this Agreement is impermissible under a governing law, the provision will be deemed amended to conform to that law while maintaining to the maximum extent possible the original intent of the provision, or if the provision as amended cannot substantially maintain the original intent, then the provision will be deemed deleted.

16.14 Entire Agreement.

(a) The parties to this Agreement each acknowledge and warrant to each other that they wish to have all terms of this business relationship defined solely in and by this written Agreement and the Confidential Operations Manual. Recognizing the costs on all parties which attend uncertainty, the signatories to this Agreement each confirm that neither wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non-contract writings (which have been or may in the future be exchanged between them) serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, the signatories each agree and promise each other that this Agreement, the Confidential Operations Manual, and the representations made by us in the Blue Martini Franchise Disclosure Document ("FDD") provided to you, supersede and cancel any prior and/or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements, understandings or any other term), by any of the parties or by anyone acting on his, her or their behalf, with respect to the rights and obligations of the parties to this Agreement or the relationship between them. Each signatory to this Agreement agrees and promises the other that they have placed, and will place, no reliance on any such discussions or writings.

(b) In accordance with the foregoing section 16.14(a), the parties to this Agreement agree that this Agreement, and the Confidential Operations Manual, constitutes the entire agreement between the parties and contain all of the terms, conditions, rights and obligations of the parties with respect to the franchised business contemplated by this Agreement and any other aspect of the relationship between the parties; provided however, that nothing in this Agreement or in any related agreement or writing is intended to disclaim the representations made in the FDD that was provided to you.

(c) This Agreement cannot be modified or changed except by written instrument signed by all of the parties hereto.

16.15 Franchisor's Application of its Rights.

We, our affiliates, or partners shall have the right to operate, develop and change the System in any manner that is not specifically precluded by this Agreement, including the right to open and operate additional outlets ourselves, or through our affiliates and partners. We will have no liability to Franchisee for any acts or omissions occurring at any outlet owned by us, our affiliates, or partners on the basis that such acts or omission caused damage to the Brand, the System or Franchisee's Outlet. Whenever we have reserved in this Agreement a right and/or discretion to take or withhold an action, or is deemed to have a right and/or discretion to take or withhold an action, or a right to grant or decline to grant Franchisee a right to take or omit an action, we may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and in its judgment of what is in our best interests and/or in the best interests of our franchise network, at the time its decision is made, without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by us; (ii) our decision or action will promote our financial or other individual interests; (iii) Our decision or the action it take applies differently to Franchisee and one or more other franchisees or our company-owned operations, affiliates, or partners; or (iv) our decision or the exercise of our right or discretion is adverse to Franchisee's interests. In the absence of an applicable statute, we will have no liability to Franchisee for any such decision or action. We and Franchisee intend that the exercise of our rights or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

XVII. EFFECTIVENESS OF AGREEMENT

This Agreement will become effective only upon the execution thereof by you and by us and only after you were furnished with an FDD. HOWEVER, THIS AGREEMENT IS NOT BINDING ON US UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY OUR CEO.

XVIII. ACKNOWLEDGMENTS AND REPRESENTATIONS

18.1 Acknowledgments and Representations.

(a) You and each of your Principal Equity Owners represent and warrant that each of the statements in his section 18.1 are true and accurate.

(b) You do not seek to obtain the Franchise for speculative or investment purposes and have no present intention to sell or transfer or attempt to sell or transfer the Franchised Business or the Franchise within 12 months after the Opening Date.

(c) You understand and acknowledge the value to the System of uniform and ethical standards of quality, appearance and service described in and required by the Confidential Operations Manual and the necessity of operating the Franchised Business under the standards set forth in the Confidential Operations Manual. You represent that you have the capabilities, professionally, financially and otherwise, to comply with our standards.

(d) If you are an entity, you are duly organized and qualified to do business in the state and any other applicable jurisdiction within which the Outlet is located.

(e) Your execution of this Agreement will not constitute or violate any other agreement or commitment to which you are a party.

(f) Any individual executing this Agreement on your behalf is duly authorized to do so and the Agreement constitutes a valid and binding obligation of yours and all of your Principal Equity Owners.

(g) You and your Principal Equity Owners (i) have carefully read this Agreement and all other related documents to be executed by you concurrently or in conjunction with the execution hereof, (ii) have conducted an independent investigation of the business contemplated by this Agreement, (iii) have obtained, or had the opportunity to obtain, the advice of counsel in connection with the execution and delivery of this Agreement, (iv) understand the nature of this Agreement, and (v) intend to comply herewith and be bound hereby. You also recognize that the Franchise involves significant risks, making the success of the Franchised Business at your Outlet largely dependent on your abilities and attention. We expressly disclaim the making of, and you agree that you have not received or relied on, any representation or warranty from us regarding the likelihood of your success at your Outlet or in your operating the Franchised Business.

(h) In entering into this Agreement, you have not relied on any representation by us, or any of our officers, managers, directors, partners, shareholders, employees or agents concerning the Franchised Business that is contrary to the terms of this Agreement, the documents incorporated into this Agreement or attached to it, or the FDD that was provided to you.

(i) You agree that complete and detailed uniformity among our franchisees under varying conditions may be inadvisable, impractical or impossible, and accordingly agree that we, in our sole discretion, may modify or vary aspects of the System as to any franchisee or group of franchisees based on, for example, local sales potential, demographics, competition, business practices or other conditions. You further agree that we will have no obligation to disclose or offer the same or similar variances to you. You are aware that other Blue Martini franchisees may operate under different agreements and, consequently, that our obligations and rights as to those franchisees may differ materially in certain circumstances.

(j) You received an FDD and a copy of this Agreement at least 14 calendar days before the signing of this Agreement.

(k) You made no payment to us before you signed this Agreement.

(l) You and each Principal Equity Owner acknowledge that in operating the System, we must take into account the needs of the System as a whole, and the need to protect the Marks, even if our actions are contrary to your individual interests as a franchisee.

(m) You and each Principal Equity Owner acknowledge that the success of the business venture is speculative and depends in large part on your participation in the daily affairs of the Franchised Business.

18.2 Additional Information Respecting You and Your Principal Equity Owners.

(a) Attached as Exhibit 2 is a schedule containing complete information respecting your Principal Equity Owners.

(b) The address (written notice of any change in this information after the Effective Date must be delivered to us pursuant to section 16.1 hereof) where your financial and other records are maintained is either [ ] the same address as provided in section 16.1 hereof, or [ ] the following address:

_____
_____.

IN WITNESS WHEREOF, and each signatory being jointly and severally liable, the parties executed this Agreement as of the Effective Date:

YOU:	US:
_____	BLUE MARTINI FRANCHISING, LLC
By: _____	By: _____
_____ [PRINT NAME AND TITLE]	_____ [PRINTED NAME AND TITLE]

List of Exhibits to Franchise Agreement:

Exhibit 1 – Territory and Location of Outlet

Exhibit 2 – Names and Addresses of Principal Equity Owners

Exhibit 3 – Statement of Franchisee

EXHIBIT 1 - TERRITORY AND LOCATION OF OUTLET

The Territory is either [ ] a radius of ____ miles around the Outlet or [ ] the geographical area surrounding the Outlet as depicted in a map attached to this Exhibit 1.

The Outlet is located at:

_____

_____

_____

(If the address of the Outlet is unknown when this Agreement is signed, as soon as the address is determined it will be inserted later into the space above or added by addendum attached to this Exhibit 1.)

The Outlet must be open and operating not later than _____.

EXHIBIT 2 - NAMES AND ADDRESSES OF PRINCIPAL EQUITY OWNERS

List below the names, residential addresses and respective percentage equity ownership interests in the franchisee entity of each Principal Equity Owner:

1. _____

_____

_____

_____ %

2. _____

_____

_____

_____ %

3. _____

_____

_____

_____ %

4. _____

_____

_____

_____ %

5. _____

_____

_____

_____ %

EXHIBIT 3 - STATEMENT OF FRANCHISEE

A. The following dates are true and correct:

1. _____, 20___ (Date)	_____ (Initials)	The date on which I received a Franchise Disclosure Document about the Blue Martini franchise.
2. _____, 20___ (Date)	_____ (Initials)	The date on which I signed the Blue Martini Franchise Agreement (must be at least 14 days after the date in A.1).
3. _____, 20___ (Date)	_____ (Initials)	The earliest date on which I delivered cash, check or other consideration to a Blue Martini franchise sales representative (must be at least 14 days after the date in A.1

B. Representations:

1. No oral, written or visual claim or representation that contradicted or was not disclosed in the Blue Martini Franchise Disclosure Document ("FDD") was made to me, except:

_____

_____ Initial: _____

(If none, the franchisee must write none).

2. Blue Martini Franchising, LLC made no oral, written or visual claim or representation that stated or suggested any financial performance, sales, income or profit levels to me, except:

_____

_____ Initial: _____

(If none, the prospective franchisee must write none).

I/we certify the above is true and correct to the best of my/our knowledge.

Franchisee

By: _____ Date: _____

By: _____ Date: _____

EXHIBIT 4 - GUARANTEE, INDEMNIFICATION AND ACKNOWLEDGMENT

GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to Blue Martini Franchising, LLC ("**Franchisor**") to execute the Blue Martini Franchise Agreement between Franchisor and _____ ("**Franchisee**"), dated _____, 20____ (the "**Agreement**"), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and Franchisor's successors and assigns that all of Franchisee's monetary obligations under the Agreement will be punctually paid and performed.

Upon demand by Franchisor, the undersigned each hereby jointly and severally agree to immediately make each payment required of Franchisee under the Agreement and waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; or (d) give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee, and the undersigned each hereby jointly and severally waive notice of same and agree to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned each hereby jointly and severally agree to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants contained in Sections 9.1(b), 9.3, 12.2, 11 and 15 of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the "Blue Martini" marks or system licensed to Franchisee under the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

If Franchisor is required to enforce this Guarantee in a judicial or arbitration proceeding, and prevails in such proceeding, Franchisor shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guarantee, the undersigned shall reimburse Franchisor for any of the above-listed costs and expenses Franchisor incurs.

Subject to the provisions below, each of the undersigned agrees that all actions arising under this Guarantee or the Agreement, or otherwise as a result of the relationship between Franchisor and the undersigned, must be commenced in the state or federal court of general jurisdiction in Florida, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or

she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that Franchisor may enforce this Guarantee and any orders and awards in the courts of the state or states in which he or she is domiciled.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement and shall be interpreted and construed in accordance with Section 16 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Florida. In the event of any conflict of law, the laws of the State of Florida shall prevail (without regard to, and without giving effect to, the application of Florida conflict of law rules).

[signature page to follow]

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

GUARANTOR(S)

(Seal)

Signed:_____
(In his/her individual capacity)

Name:_____

Address:_____

_____

(Seal)

Signed:_____
(In his/her individual capacity)

Name:_____

Address:_____

_____

(Seal)

Signed:_____
(In his/her individual capacity)

Name:_____

Address:_____

_____

BLUE MARTINI

EXHIBIT B: AREA DEVELOPMENT AGREEMENT

BLUE MARTINI

AREA DEVELOPMENT AGREEMENT

For: _____

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AREA DEVELOPMENT AGREEMENT

This Area Development Agreement ("Agreement") is made on _____, 20___ (the "Effective Date") by and between _____ ("you" or "your") and Blue Martini Franchising, LLC, a Florida limited liability company, doing business as Blue Martini ("BMF", "we", "us" or "our").

BMF is the franchisor of the Blue Martini franchise system. You or an affiliated company of yours is concurrently entering into a Franchise Agreement with BMF, under the terms of which you are being granted a right to open and operate a live entertainment lounge that BMF has consented to ("Outlet"), providing "Blue Martini Products" (as defined in the Franchise Agreement) to retail customers under the Blue Martini trademarks and in accordance with the Blue Martini business format.

In consideration of the mutual promises, covenants, agreements and conditions contained in this Agreement, and other good and valuable consideration, you and BMF hereby agree as follows.

I. GRANT OF RIGHTS TO OPEN ADDITIONAL OUTLETS

1.1 Additional Outlets.

(a) Subject to the terms and conditions contained herein, BMF hereby grants to you the right and you hereby agree to establish and operate a number of additional Outlets in accordance with the schedule of openings attached hereto as Exhibit 1 (the "Development Schedule").

(b) So long as your obligations under the Development Schedule are being met on a timely basis and until this Agreement terminates, we will not ourselves, nor allow any other Blue Martini licensee or franchisee to, operate an Outlet within the geographical area (the "Development Area") indicated in the Development Schedule.

(c) If BMF becomes insolvent or declares bankruptcy or is no longer authorized to offer and sell franchises in your state because of a lapse of applicable franchise registration or other reason, you will continue to have the right to operate under this Agreement until and unless a court orders otherwise.

1.2 Franchise Agreements.

(a) When you open an additional Outlet under the Development Schedule, you must enter into our then current form of Franchise Agreement for that additional Outlet (provided that the economic terms, specifically royalty and advertising fees, of such Franchise Agreements for the additional Outlet will not change from the economic terms of the first Franchise Agreement you enter into with BMF). So long as you are in good standing under this Agreement, you will continue to have the right to open and operate Outlets in the Development Area in accordance with the Development Schedule.

(b) Each Franchise Agreement executed pursuant hereto will provide that BMF and our affiliates may not open or operate, or franchise or license the operation of, any Outlet within the protected territory surrounding the Outlet opened by you pursuant to such Franchise Agreement.

1.3 Term.

The term of this Agreement commences on the Effective Date and, unless sooner terminated by your material breach hereof, will continue until you have opened all Outlets to be developed in accordance with the Development Schedule. There will be no extensions or renewal periods relating to the Development Schedule unless done so in writing.

1.4 No Subfranchising Rights.

You do not have the right under this Agreement to enter into subfranchised Blue Martini franchise agreements with anyone.

II. DEVELOPMENT OBLIGATIONS

2.1 Development Obligations.

(a) You must construct, equip and open each additional Outlet not later than the date specified in Exhibit 1 applicable to the Outlet, and thereafter continue to operate the Outlet or assign it with our consent to another Blue Martini franchisee.

(b) Any Outlet developed hereunder that is open and operating and which has been assigned to an affiliate of yours or to another Blue Martini franchisee with our consent will continue to be considered as partial satisfaction of your obligations under the Development Schedule for so long as the assignee remains in good standing under the Franchise Agreement relating to that Outlet.

2.2 Timing of Execution of Leases and Franchise Agreements.

(a) Notwithstanding anything to the contrary contained herein, on or before the date that is 90 days before the date an Outlet is required to be opened, you must have executed a lease and Franchise Agreement, and paid the balance of the required Initial Franchise Fee, for that Outlet.

(b) With respect to the location, equipping, opening and operation of an additional Outlet you are opening under the Development Schedule, you must comply with the Franchise Agreement that is applicable to that Outlet.

2.3 Force Majeure.

(a) The term "*Force Majeure*" means natural disasters (such as tornadoes, earthquakes, hurricanes, floods, fires or other natural catastrophes); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot, or other civil disturbance; epidemics; or other similar forces which you could not by the exercise of reasonable diligence have avoided; provided however, that neither an act or failure to act by any federal, state, county, municipal and local governmental and quasi-governmental agency, commission or authority, nor the performance, non-performance or exercise of rights under any agreement with you by any lender, landlord, or other person will be a *Force Majeure*, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act that is otherwise a *Force Majeure*. For the avoidance of doubt, your financial inability to perform or your insolvency will not be a *Force Majeure* hereunder.

(b) Subject to your continuing compliance with section 2.3(c) below, should you be unable to meet your development obligation for a scheduled additional Outlet solely as the result of a *Force Majeure* that results in your inability to construct or operate the Outlets pursuant to the terms of this Agreement, the date on which the scheduled additional Outlet is to be opened will be extended by an amount of time equal to the time period during which the *Force Majeure* exists.

(c) In the event of the occurrence of a *Force Majeure*, you must notify us in writing within 10 business days following commencement of the alleged *Force Majeure* of the specific nature and extent of the *Force Majeure*, and how it has impacted your performance hereunder. You must continue to provide us with updates and all information as may be requested by us, including your progress and diligence in responding to and overcoming the *Force Majeure*.

(d) BMF will not be liable to you for any consequential damages, including lost profits, interest expense, increased construction or occupancy costs, or other costs and expenses incurred by you by reason of any conduct not due to our gross negligence or intentional misfeasance.

2.4 Termination of Agreement and Limited Additional Development Rights.

(a) Once you have opened all additional Outlet specified in the Development Schedule, this Agreement will automatically terminate. Upon termination of this Agreement, you will no longer have the right to open future Outlets under the Development Schedule which is then in full force and effect. However, all rights under Franchise Agreements you enter into respecting the additional Outlets remain in full force and effect. If you desire to engage in further development of additional Outlets in excess of the obligations committed to under the Development Schedule, you must at the earlier of (i) 180 days prior to the scheduled expiration of the term hereof or (ii) the date on which acceptance of the proposed site for the last Outlet required to meet the Development Schedule is issued, notify us in writing of your desire to develop additional Outlets and present your plan for such development over a new term, setting forth the number of proposed Outlets and the deadlines for the development of each of them within such proposed term. We have the sole discretion to determine whether such additional development in the geographical area indicated in the Development Schedule is desirable, and if we agree to allow you to develop additional Outlets, such additional development will be subject to the conditions set forth in section 2.4(b) below. Otherwise, the development rights granted under this Agreement may not be extended.

(b) Your rights to additional development described in this section 2.4 are subject to your fulfillment of the following conditions:

(i) You (and each of your affiliates that have developed or operate Outlets) must have fully performed all of your obligations under this Agreement and all other agreements between you and BMF.

(ii) You must have demonstrated to BMF your financial capacity to perform the additional development obligations set forth in any restated or revised Development Schedule. In determining if you are financially capable, BMF will apply the same criteria to you as BMF apply to prospective Blue Martini multi-outlet developers at that time.

(iii) You and BMF must agree to, and initial, a restated or revised Development Schedule.

III. DEVELOPMENT FEE

3.1 Development Fee.

When you sign this Agreement, you must pay us the sum of $_____ as a "Development Fee" for us granting you the exclusive right to open up to ___ additional Outlets pursuant to the Development Schedule. **The Development Fee is not refundable**.

3.2 Franchise Agreements for Additional Outlets.

Each additional Outlet to be opened pursuant hereto will require execution by you and BMF of a separate Franchise Agreement (using our then current form thereof) respecting that additional Outlet, with a credit of $25,000 to be applied against the initial franchise fee due under the Franchise Agreement respecting the additional Outlet.

IV. TRANSFER OR ASSIGNMENT

4.1 Assignability.

This Agreement has been entered into by BMF in reliance upon and in consideration of the singular personal qualifications, trust and confidence we repose in you. Accordingly, although you may assign individual Franchise Agreements, you may not assign this Agreement except as provided in Section 4.2 below.

4.2 Transfers from You to an Affiliated Entity.

You may at any time without our consent, but upon 30 days prior written notice to BMF, assign and transfer this Agreement to a corporation, limited liability company or other business entity that is (i) organized for the purpose of operating as a developer of additional Outlets and (ii) entirely owned by you. Any assignment and transfer to an affiliated entity must be evidenced by a written instrument, in form reasonably satisfactory to BMF, under the terms of which said business entity expressly assumes all of your obligations hereunder, whether accrued at the time of such assignment or arising thereafter, and agrees to be bound by all the terms and provisions of this Agreement to the same extent and in the same manner as you are. A copy of said instrument, executed by both you and said business entity must be delivered to BMF before the effective date of the transfer.

V. NON-COMPETITION

5.1 Restriction on Competitive Activities.

During the term of this Agreement and for two years after it is terminated or expires, you and each of your principal equity owners must comply with the non-competition covenants contained in each of the Franchise Agreements entered into by you and BMF.

5.2 Website and Unauthorized Advertising.

During the term of this Agreement, neither you nor any of your principal equity owners may establish a website or register an Internet domain name using, or otherwise advertise on the Internet or anywhere else, the trademark “Blue Martini”, or marks similar to “Blue Martini”, or any combination or derivations thereof, or any other BMF trademark, except as specifically authorized by BMF in writing.

VI. DEFAULT AND TERMINATION

6.1 General.

This Agreement may be terminated by BMF if you (i) fail to substantially comply with any obligation, duty or promise under this Agreement, including failure to open an Outlet within the time specified in the Development Schedule, after being given a notice of default and reasonable opportunity to cure the default (no more than 30 days), or (ii) are in material breach of any Franchise Agreement that you (or your affiliated entity) entered into with BMF.

6.2 Operation of Opened Outlets after Termination or Expiration.

If BMF terminates this Agreement for the reasons described in section 6.1 above, you will be able to maintain ownership and operation of the Outlets that you have developed so long as you are not in material breach of the applicable Franchise Agreements; however, you will forfeit (i) any further exclusive rights under the Development Schedule and this Agreement, and (ii) any rights to have a credit applied against the Initial Franchise Fee for Outlets that were not developed.

VII. DISPUTE RESOLUTION

7.1 Mediation.

(a) We and you have entered into a long-term franchise relationship which gives rise to an obligation, subject to and consistent with the terms of this Agreement, to endeavor to make the relationship succeed, in light of the overall best interests of the System, as contemplated by this Agreement. To that end, you and we acknowledge that you and we need to attempt to resolve disagreements or disputes before such disagreements or disputes negatively impact the relationship. Good faith communications between us are an important aspect of that obligation. The parties hereby pledge and agree that they will first attempt

to resolve any dispute, claim or controversy arising out of or relating to this Agreement or any alleged breach hereof, including any claim that this Agreement or any part hereof is invalid, illegal or otherwise voidable or void (collectively, "Dispute") by first having our executive officers and your Principal Equity Owners meet in person at our principal executive office and conduct a good faith discussion and negotiation of the issues with a view to arriving at a settlement.

(b) If we are unable to settle the Dispute at this settlement conference, within 10 days after that conference we will submit the dispute to mediation conducted before JAMS, Inc. ("JAMS"), in accordance with its mediation guidelines unless the parties agree on a different mediator within 15 days after either party first gives notice of mediation. The mediation proceedings will be conducted in Palm Beach County, Florida and should be completed within 45 days following the date either party first gives notice of mediation. The fees and expenses of the mediator will be shared equally by the parties. The mediator will be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter. Mediation is a compromise negotiation and will constitute privileged communications under the law governing this Agreement. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission as a result of its use in the mediation.

7.2 Arbitration.

(a) Any Dispute between us (and/or our affiliated entities) and you (and/or your Principal Equity Owners or affiliated entities) that is not resolved through mediation, will be resolved through binding arbitration by one arbitrator from the list of retired judges referred by JAMS and selected by the parties in accordance with its Streamlined Arbitration Rules and Procedures (if the amount in controversy is less than $250,000) or its Comprehensive Arbitration Rules and Procedures (if the amount in controversy is $250,000 or more), or if the parties in dispute mutually agree, through binding arbitration by any other mutually agreeable arbitration organization. It is explicitly agreed by each of the parties hereto that no arbitration of any Dispute may be commenced except in accordance with this section 7.2.

(b) Arbitration proceedings will be conducted individually by a single plaintiff, and not as a class or by multiple plaintiffs in one action. All hearings and other proceedings will take place at the JAMS business location in Miami, Florida, or if we so elect, in the JAMS business location nearest where your (or an applicable Principal Equity Owner's principal place of business) is then located.

(c) Either party may present briefs and affidavits of witnesses who are unable to attend hearings. Otherwise, no affidavits, interrogatories, depositions or other discovery is permitted. The arbitrator will have the right to award or include in the award any relief that the arbitrator deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance and injunctive relief, provided that the arbitrator will not have the right to declare any Mark generic or otherwise invalid or to award punitive damages. The arbitration award will be final and binding on the parties, and judgment on the award may be entered in any federal or state court having jurisdiction.

(d) This arbitration provision is deemed to be self-executing and will remain in full force and effect after expiration or termination of this Agreement. If either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding said failure to appear.

(e) The provisions of this section 7.2 are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Furthermore, this section 7.2 will be construed as independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the

court is respectfully requested to modify or interpret such provisions to the minimum extent necessary to comply with the law.

[Our Initials: _____ Your Initials: _____]

7.3 Injunctive Relief.

Any party has the right in a situation where there is an imminent threat of harm to the legal rights of a party and damages would not be adequate relief to seek a temporary restraining order and temporary or preliminary injunctive relief from a court of competent jurisdiction in Florida, without the necessity of posting any bond and without the necessity of first complying with sections 7.1 and 7.2 above, and if bond is nevertheless required by a court of competent jurisdiction, the parties agree that the sum of $1,000 will be a sufficient bond (this amount may be adjusted by changes in the Consumer Price Index since the Effective Date). If an arbitration proceeding has already commenced pursuant to section 7.2 above when a party seeks injunctive relief, then the party seeking such injunctive relief agrees to contemporaneously submit the merits of its dispute to the arbitrator. The existence of a proceeding commenced under section 7.1 or 7.2 above will in no event abate or otherwise affect the ability of party to seek injunctive relief on account of this section 7.3. Franchisee acknowledges that it is one of a number of licensed franchisees using the Marks and that failure on its part to comply fully with any of the terms of this Agreement respecting the obligations regarding examinations, audits and the Marks could cause irreparable damage to Franchisor (and is other affiliated persons or entities) and Franchisor or its affiliates may seek injunctive relief to protect the Marks. This covenant is independent, severable and enforceable notwithstanding any other rights or remedies that any party may have.

7.4 Legal Fees and Expenses.

The prevailing party in any arbitration or litigation to resolve a dispute between any of the parties hereto will be entitled to recover from the losing party reasonable legal fees (and incurred costs of the prevailing party's counsel) and all other expenses incurred by the prevailing party in bringing or defending such arbitration, action or proceeding and/or enforcing any resulting award or judgment (including without limitation arbitration or court filing fees, expert and other witness fees, discovery expenses and compensation payable to the arbitrator), whether incurred prior to or in preparation for or in contemplation of the filing of the action or thereafter. The prevailing party will be determined by the arbitrator or court. This section 7.4 is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

7.5 Survival.

The terms of this Article VII survive termination, expiration or cancellation of this Agreement.

VIII. NOTICES

8.1 Notices.

(a) All notices that the parties hereto are required or may desire to give under or in connection with this Agreement will be in writing and (unless personally delivered by an agent of the sending party) must be sent by reliable overnight courier, for delivery on the next business day and addressed as follows:

(i) If to BMF, to:

BLUE MARTINI FRANCHISING, LLC
477 S ROSEMARY AVE STE 224
WEST PALM BEACH FL 33401-5758
Phone: (561) 820-8071

(ii) If to you, to:

_____

_____

_____

Phone:

(b) The addresses herein given for notices may be changed at any time by either party by written notice given to the other party as herein provided.

(c) Unless actually delivered in person by an agent of the sending party, notices between you and us will be deemed given the next business day after deposit with a reliable overnight courier, properly addressed and marked for delivery on the next business day.

IX. GENERAL TERMS AND PROVISIONS

9.1 Governing Law.

The Federal Arbitration Act (9 U.S.C. §1 *et seq*.) governs the arbitration of disputes under this Agreement. Otherwise, the laws of Florida govern this Agreement, without regard to conflicts of laws. If any provision of this Agreement is impermissible under a governing law, the provision will be deemed amended to conform to that law while maintaining to the maximum extent possible the original intent of the provision, or if the provision as amended cannot substantially maintain the original intent, then the provision will be deemed deleted.

9.2 Modification.

This Agreement cannot be modified or changed except by a written instrument signed by all of the parties hereto.

9.3 Waiver and Delay.

No waiver by BMF of any breach or series of breaches or defaults in performance by you and no failure, refusal or neglect by BMF either to exercise any right of BMF hereunder or to insist upon strict compliance with or performance of your obligations under this Agreement, will constitute a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver by BMF of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

9.4 Severability; Partial Invalidity.

Nothing contained in this Agreement will be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance, regulation or judicial decision, contrary to which the parties have no legal right under this Agreement, the latter will prevail, but in such event the provision of this Agreement thus affected will be curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any part, article, section, sentence or clause of this Agreement is held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision will be deemed appropriately modified, and the remaining parts thereof will continue in full force and effect.

9.5 Titles for Convenience Only.

Section titles used in this Agreement are for convenience only and will not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.

9.6 No Third-Party Beneficiaries.

This Agreement is not intended to benefit any other person or entity except the named parties hereto and no other person or entity (other than financing sources to whom we have granted or consented to a collateral assignment of this Agreement) will be entitled to any rights hereunder by virtue of so-called "third party beneficiary rights" or otherwise.

9.7 Survival of Covenants.

The covenants contained in this Agreement that by their terms require performance by the parties after the expiration or termination of this Agreement will be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

9.8 Successors and Assigns.

This Agreement is binding upon (i) BMF and inures to the benefit of our successors and assigns and (ii) you and inures to the benefit of your successors and assigns, subject to the restrictions on any assignment by you contained herein.

9.9 Counterparts.

This Agreement may be executed in any number of copies, each of which will be deemed to be an original, and all of which together will be deemed to be one and the same instrument.

9.10 Entire Agreement.

This Agreement contains all of the terms and conditions agreed upon by you and BMF with respect to the subject matter hereof, provided however, that nothing in this sentence is intended to disclaim the representations made in the Blue Martini franchise disclosure document that was provided to you. No other agreements oral or otherwise will be deemed to exist or to bind any of the parties hereto and all prior agreements and understandings are superseded hereby. You acknowledge that you executed this Agreement without reliance upon any unauthorized representation or promise.

IN WITNESS WHEREOF, the parties executed this Agreement as of the Effective Date.

YOU:	**BMF:**
_____	BLUE MARTINI FRANCHISING, LLC
By: _____	By: _____
_____	_____
[PRINTED NAME AND TITLE]	[PRINT NAME AND TITLE]

EXHIBIT 1 - DEVELOPMENT SCHEDULE

The initial Outlet (or Outlet 1) is to be opened and operated under the concurrently signed Franchise Agreement. Additional Outlets will be opened at sites that we have reviewed and consented to, all of which will be located in the "Development Area" described either [ ] in the map immediately following this Exhibit 1 or [ ] as follows:

_____

_____

_____

You must open (and thereafter maintain) Outlets in accordance with the following schedule (if more than five Outlets are committed to be opened, the schedule will be expanded appropriately):

NUMBER OF OUTLET	DATE BY WHICH OUTLET MUST BE OPENED
1	
2	
3	
4	
5	

We may defer a scheduled opening date in the table above if we determine, in our reasonable discretion, you made a diligent effort to open an Outlet according to the schedule but were unable to do so for reasons beyond your reasonable control.

BLUE MARTINI

EXHIBIT C: LIST OF FRANCHISE OUTLETS

LIST OF FRANCHISE OUTLETS

The following Blue Martini franchised Outlet is opened and operating as of December 31, 2018:

LOUISIANA

Blue Martini/Lake Charles
General Manager: Joseph Stacker
Golden Nugget Casino
2550 Golden Nugget Blvd.
Lake Charles, LA 70601
Phone: (337) 408-2583

The following has a signed Blue Martini franchise agreement but not yet opened their outlets as of December 31, 2018:

Blue Bar Atlanta, Inc.
3402 Piedmont Road
Atlanta, GA 30305
(770) 427-4590

Mazyar Yaghoubian3773 Howard Hughes Pkwy, Suite 500,
Las Vegas, NV 89169
(917) 409-7908

The following Blue Martini live entertainment lounges owned by related entities were open and operating as of December 31, 2018:

ARIZONA

Phoenix / High Street
5455 E. High St., Ste. 101
Phoenix, AZ 85054
Phone: (480) 638-2583

FLORIDA

Fort Lauderdale / The Galleria Mall
2432 E. Sunrise Blvd.
Fort Lauderdale, FL 33304
Phone: (954) 653-2583

Miami - Brickell / Mary Brickell Village
900 S. Miami Ave., Ste. 250
Miami, FL 33130
Phone: (305) 981-2583

Miami - Kendall / Town and Country
8405 Mills Dr., Ste. 205
Miami, FL 33183
Phone: (305) 630-2583

Naples / The Mercato
9114 Strada Pl., Ste. 12105
Naples, FL 34108
Phone: (239) 591-2583

Orlando / Pointe Orlando
9101 International Drive
Suite 1182
Orlando, FL 32819
Phone: (407) 447-2583

West Palm Beach / CityPlace
550 S. Rosemary Ave., Ste. 244
West Palm Beach, FL 33401
Phone: (561) 835-8601

NEVADA

Las Vegas / Town Square
6593 Las Vegas Blvd. S., Bldg. L,
Ste. B214
Las Vegas, NV 89119
Phone: (702) 949-2583

TEXAS

Plano / Shops @ Legacy
7301 Lone Star Dr.
Plano, TX 75024
Phone: (972) 727-2583

BLUE MARTINI

EXHIBIT D: LIST OF TERMINATED FRANCHISES

LIST OF TERMINATED FRANCHISES

FRANCHISEES WHO LEFT THE SYSTEM
FROM JANUARY 1, 2018 TO DECEMBER 31, 2018
or who have not communicated with the franchisor within 10 weeks of the disclosure document issuance date

None

BLUE MARTINI

EXHIBIT E: FINANCIAL STATEMENTS

BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

WALKER OSTROWSKI WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY

December 31, 2018 and 2017

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WALKER OSTROWSKI WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members
Blue Martini Franchising, LLC

We have audited the accompanying financial statements of Blue Martini Franchising, LLC, which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations and changes in members' equity and cash flows for the years ended December 31, 2018, 2017, and 2016, and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit 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 of 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 Blue Martini Franchising, LLC, as of December 31, 2018 and 2017, and the results of its operations and cash flows for the years ended December 31, 2018, 2017, and 2016, in accordance with accounting principles generally accepted in the United States of America.

Walker Ostrowski Williams

Deerfield Beach, Florida
April 2, 2019

BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY

BALANCE SHEETS

December 31, 2018 and 2017

ASSETS

	2018	2017
Cash in Bank	$ 79,584	$128,668
Prepaid Expenses	12,124	-
Deferred Expenses	23,884	18,305
TOTAL ASSETS	$115,592	$146,973

LIABILITIES AND MEMBERS' EQUITY (DEFICIT)

Liabilities:		
Accounts Payable	$ 4,137	$ 9,694
Deferred Developer and Franchise Fees	200,000	150,000
Total Liabilities	204,137	159,694
Members' Equity (Deficit):		
Members' Capital Paid in	213,960	213,960
Accumulated Deficit	(302,505)	(226,681)
Total Members' Equity (Deficit)	(88,545)	(12,721)
TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)	$115,592	$146,973

See accompanying notes to the financial statements

WALKER OSTROWSKI WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY

STATEMENTS OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY (DEFICIT)

For the Years Ended December 31, 2018, 2017, and 2016

	2018	2017	2016
Revenue	$ -	$ -	$ -
Expenses:			
Marketing and Advertising	19,389	32,338	24,000
Travel	7,902	12,839	3,228
Consulting Fees	31,500	27,500	-
Professional Fees	14,496	21,797	11,394
Office Expense	2,537	1,925	-
	75,824	96,399	38,622
Net Loss	(75,824)	(96,399)	(38,622)
Members' Equity (Deficit), beginning	(12,721)	(122)	4,907
Capital Contributed	-	83,800	33,593
Members' Equity (Deficit), ending	$(88,545)	$(12,721)	$ (122)

See accompanying notes to the financial statements

WALKER OSTROWSKI WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY

STATEMENTS OF CASH FLOW

For the Years Ended December 31, 2018, 2017, and 2016

Increase (Decrease) in Cash

	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Loss	$(75,824)	$ (96,399)	$(38,622)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:			
Expenditures Recognized through Contributed Capital	-	-	33,593
(Increase) Decrease in Operating Assets:			
Prepaid Expenses	(12,124)	-	-
Deferred Expenses	(5,579)	(18,305)	-
Increase (Decrease) in Operating Liabilities:			
Accounts Payable	(5,557)	5,765	3,929
Deferred Developer and Franchise Fees	50,000	150,000	-
Net Cash Provided by (Used in) Operating Activities	(49,084)	41,061	(1,100)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Members' Capital Paid in	-	83,800	-
Net Cash Provided by Financing Activities	-	83,800	-
Increase (Decrease) in Cash	(49,084)	124,861	(1,100)
Cash, beginning	128,668	3,807	4,907
Cash, ending	$ 79,584	$ 128,668	$ 3,807
NON-CASH FINANCING ACTIVITIES:			
Members' Capital Paid in for Expenditures Paid by Affiliate	$ -	$ -	$ 33,593

See accompanying notes to the financial statements

WALKER OSTROWSKI WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1 – ORGANIZATION

Blue Martini Franchising, LLC (the Company), was organized in 2013, under the laws of the State of Florida as a limited liability company. The Operating agreement among the members was effective January 1, 2014, and the Company began activities on September 15, 2014 (inception).

The Company is organized for the purpose of conducting all franchising activities on behalf of the Blue Martini Companies, including developing, marketing, and selling franchises associated with the Blue Martini Lifestyle Bars. The Company is currently marketing the franchise opportunities. The Company's activities are subject to risks and uncertainties, including the risk that these marketing activities will not result in substantial franchise sales.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The Company is organized as a limited liability company. This type of organization provides that the members are not personally liable for any acts, debts, or liabilities beyond the members' capital contributions.

Initial developer and franchise fees are received concurrently with the signing of the developer or franchise agreement. Fees are recognized as revenue upon substantial performance by the Company of all material conditions relating to the initial fee, generally upon commencement of operations by the franchise location. Deferred developer and franchise fees are recorded for fees collected but not earned. Deferred expenses are recorded for costs directly related to services provided under the initial area developer or franchise fee agreements. Such costs are expensed when the related revenue is recognized as income.

Marketing and advertising costs are recognized when the event takes place or the advertising is published.

The Company files as a partnership for Federal and state income tax purposes. Consequently, any taxable income or loss will pass-through to the members.

The preparation of financial statements in accordance with accounting principles generally accepted in the U.S.A. necessitates the use of estimates made by management. Such estimates may change in the future.

NOTE 3 – MEMBERS' EQUITY

Pursuant to the terms of the Operating Agreement dated in 2014, membership interest was divided among the founding members. These members contributed capital in proportion to their membership shares of an aggregate of $213,960 through December 31, 2018. Members' Capital paid in consists of $88,800 of cash contributed and $125,160 of expenses paid by an affiliated entity on behalf of the members through December 31, 2018.

NOTE 4 – FRANCHISING

The Company executes developer and franchise agreements that set the terms of its arrangement with each developer or franchisee. The agreements require the franchisee to pay an initial, non-refundable fee up to $50,000 and royalty fees based upon a percentage of adjusted gross sales; the developer pays an initial, non-refundable fee of $25,000 per unit with commitments to purchase franchises over a set time period. Subject to the Company's approval and various conditions, a franchisee may generally renew its agreement upon its expiration, which is generally ten years after opening. Direct costs of sales and servicing of developer and franchise agreements are charged to operating expenses as incurred.

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee, including assistance with site selection, training, systems implementation, and design of a quality control program. The Company recognizes initial fees as revenue when substantially all initial services required by the franchise or license agreement have been performed, which is generally upon opening a location. Continuing royalty fees are recognized as earned.

Deferred developer and franchise fees at December 31, 2018 comprise amounts received under three area development agreements for six locations in the amount of $150,000 plus one franchise fee of $50,000. The deferred expenses of $23,884 represent direct costs associated with the developer and franchise fees. One of the developers is delinquent with opening his first franchise under the terms of the developer agreement. Therefore, it is possible that the developer will not open the three franchises he committed to acquiring and may forfeit his deposit under the terms of the agreement.

One franchise was sold to a developer in 2018 and is scheduled to open in late 2019.

The Company also has commitments with two of the area developers for a total of three additional franchise locations for which no developer fees have been received.

NOTE 5 – RELATED PARTIES

The Blue Martini Companies are comprised of individually operated entities that are affiliated through common ownership. The Blue Martini Lifestyle Bars operated by the Blue Martini Companies use intellectual property licensed from Blue Martini Founders, LLC (BMF), and management services from Quality Service Group, LLC (QSG), both companies affiliated through common ownership and control.

The Company has a royalty-free intellectual property license from BMF, which permits the Company to license the Blue Martini intellectual property to franchisees.

BMF granted a license to a third party to operate a Blue Martini bar in Louisiana which is considered to be a franchise. The Company has no connection to this agreement and receives no compensation from it.

NOTE 5 – RELATED PARTIES (Continued)

The Company utilizes staff of a commonly-controlled affiliated entity to maintain the records of the Company and manage its affairs. The affiliated company does not charge a management fee for these services but may do so in the future.

In 2016, direct operating expenses of the Company of $33,593 were paid by a company affiliated through common ownership, and recorded as capital contributions from the members to the Company.

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 2, 2019, the date the statements were available for issuance.

A new standard issued by Financial Accounting Standards Board (FASB) requires significant changes in the method and timing of recognition of certain contract revenues and related incremental expenses (such as commission expense) beginning in 2019. This standard will be adopted by the Company for 2019 and may entail certain retrospective adjustments at that time. The effects of this change on the Company's future financial statements have not yet been determined.

In January 2019, the Company executed an additional developer agreement for three franchise locations.

NOTE 7 – PRIOR PERIOD ADJUSTMENT

The results of operations for the year ended December 31, 2017 have been restated to correct accounts payable at that date by $4,208. Professional fees expense has been increased by $3,408 and office expense by $800 to more correctly state expenses for the year ended December 31, 2017. The effect on members' equity (deficit) is as follows:

December 31, 2017 Members' Equity (Deficit), as previously reported	$ (8,513)
Prior period adjustment	(4,208)
December 31, 2017 Members' Equity (Deficit), as restated	$(12,721)

BLUE MARTINI

EXHIBIT F: OPERATIONS MANUAL

Topic	Number of Pages
SECTION A: INTRODUCTION Blue Martini's Mission Blue Martini 4 Standards Welcome Letter History of Blue Martini Services Provided to Franchisees Responsibilities of Owners Job Functions & Responsibilities Visits from the Central Support Office Paying Other Fees	22
SECTION B: DEVELOPMENT Pre-Opening Timeline Breakdown of Responsibilities Establishment of Business Form Site Selection Process Required List of Equipment, Furnishings and Fixtures Initial Smallwares Inventory Initial Food/Beverage Inventory Contracting with Required Utilities and Services Obtaining Required Licenses and Permits Setting Up Bank Accounts Procuring Required Insurance Policies Meeting your Tax Obligations Conducting an Opening	60
SECTION C: PEOPLE EEOC Guidelines Laws Regarding Harassment Immigration Reform/Control Act Wage and Labor Laws Working with Independent Contractors/Subcontractors Recordkeeping Americans with Disabilities Act (ADA) Profile of the Ideal Blue Martini Employee Job Descriptions Recruiting Employees The Interview Process Personnel Policies Hiring on a Trial Basis Training Employees Time Tracking Procedures Uniform and Dress Code Conducting Magic Meter Performance Evaluations Progressive Discipline Termination/Separation Procedures	123
SECTION D: SALES Suggested Hours of Operation Daily Routines - Front of House Daily Routines - Back of House Guest Experience Music	132

Topic	Number of Pages
Communication Understanding the Blue Martini Guest Offering Service Procedures Alcohol Management Events Offsite Events Food and Drink Preparation Food Safety and Sanitation Food-Borne Illness The POS System Transacting Sales Shift Closeout Safety and Crowd Control Safety and Security	
SECTION E: MANAGEMENT Blue Martini Management Philosophy Daily Routines Running Responsibilities Happy Hour Transition Late Night The Watch List Closing Management Responsibilities Organizing your Management Activities Managing Personnel Managing the Guest Experience	48
SECTION F: COST Inventory Management Cost Controls Loss Prevention Operational & Financial Reporting Franchise Reporting Requirements	26
SECTION G: MAINTENANCE Cleaning and Maintenance Equipment Care	14
SECTION H: MARKETING Marketing Plan Advertising Media Holiday Decorations Logo and Signage Specifications Using the Blue Martini Marks Required Advertising Expenditures Public Relations Community Involvement Filming/Photography Requests at Blue Martini Obtaining Advertising Approval	38
APPENDICES Approved Suppliers Beverage	90

Topic	Number of Pages
Design and Build-Out Equipment and Inventory Events Financial Statement Food Recipe Manual Forms Fundraising and Networking LBD Event Logo and Signage Music MYBLUEVIP POS Public Relations Reports Training Work Schedule	
Total Pages	**553**

BLUE MARTINI

EXHIBIT G: STATE FRANCHISE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE FRANCHISE ADMINISTRATORS

We intend to register this disclosure document as a franchise in some or all of the following states, in accordance with applicable state law. The following are the state administrators responsible for the review, registration and oversight of franchises in these states:

California:
Department of Business Oversight
320 W. 4th St., Ste. 750
Los Angeles, CA 90013-2344
(213) 576-7500 or (866) 275-2677

Hawaii:
Commissioner of Securities,
Dept. of Commerce and Consumer Affairs, Business Registration Div.,
Securities Compliance Branch
335 Merchant St., Rm. 203
Honolulu, HI 96813-2921
(808) 586-2722

Illinois:
Office of the Attorney General
Franchise Division
500 S. 2nd St.
Springfield, IL 62701-1771
(217) 782-4465

Indiana:
Indiana Securities Division
Franchise Section
302 W. Washington St., Rm. E111
Indianapolis, IN 46204-2738
(317) 232-6681

Maryland:
Office of the Attorney General
Division of Securities
200 Saint Paul Pl.
Baltimore, MD 21202-2020
(410) 576-6360

Michigan:
Michigan Attorney General
Consumer Protection Division
Po Box 30212
Lansing, MI 48909
(517) 373-7117

Minnesota:
Commissioner of Commerce
85 7th Pl. E., Ste. 500
Saint Paul, MN 55101-3165
(651) 539-1500

New York:
New York State Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
(212) 416-8236

North Dakota:
Securities Department
600 E. Boulevard Ave., 5th. Flr.
Bismarck, ND 58505-0510
(701) 328-4712

Rhode Island:
Dept. of Business Regulations
Division of Securities
1511 Pontiac Ave., Bldg. 69-1
Cranston, RI 02920-4407
(401) 462-9527

South Dakota:
Division of Insurance
Securities Regulation
445 E. Capitol Ave.
Pierre, SD 57501-3185
(605) 773-4823

Virginia:
State Corporation Commission
Div. of Securities & Retail Franchising
1300 E. Main St., 9th Flr.
Richmond, VA 23219-3630
(804) 371-9051

Washington:
Dept. of Financial Institutions
Securities Division
150 Israel Rd. SW
Tumwater, WA 98501-6456
(360) 902-8760

Wisconsin:
Securities Division
201 W. Washington Ave., Ste. 300
Madison, WI 53703-2640
(608) 266-8557

AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a franchise in some or all of the following states, in accordance with applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in any of these states, we will designate the following state offices or officials as our agents for service of process in those states:

California:
California Commissioner of the
Department of Business Oversight
320 W. 4th St., Ste. 750
Los Angeles, CA 90013-2344
(213) 576-7500

Hawaii:
Hawaii Commissioner of Securities,
Dept. of Commerce and Consumer
Affairs, Business Registration Div.
335 Merchant St., Rm. 205
Honolulu, HI 96813
(808) 586-2744

Illinois:
Illinois Attorney General
500 S. 2nd St.
Springfield, IL 62701
(217) 782-4465

Indiana:
Indiana Secretary of State
200 W. Washington St., Rm. 201
Indianapolis, IN 46204
(317) 232-6681

Maryland:
Maryland Securities Commissioner
200 Saint Paul Pl.
Baltimore, MD 21202
(410) 576-6360

Michigan:
Michigan Corporation & Securities Bureau
Department of Commerce
6546 Mercantile Way
Lansing, MI 48911
(517) 373-7117

Minnesota:
Minnesota Commissioner of Commerce
85 7th Pl. E., Ste. 500
Saint Paul, MN 55101
(651) 296-6328

New York:
Attn: Uniform Commercial Code
New York Department of State
One Commerce Plaza
99 Washington Ave., 6th Flr.
Albany, NY 12231-0001
(518) 473-2492

North Dakota:
North Dakota Securities Commissioner
600 E. Boulevard Ave., 5th. Flr.
Bismarck, ND 58505
(701) 328-4712

Rhode Island:
Director, Rhode Island Department of
Business Regulations
1511 Pontiac Ave., Bldg. 69-1
Cranston, RI 02920
(401) 462-9527

South Dakota:
Division of Insurance
Securities Regulation
124 S. Euclid, Ste 104
Pierre, SD 57501
(605) 773-4823

Virginia:
Clerk, Virginia State Corporation
Commission
1300 E. Main St., 1st Flr.
Richmond, VA 23219
(804) 371-9733

Washington:
Dept. of Financial Institutions
Securities Division – 3rd Flr.
150 Israel Rd. SW
Tumwater, WA 98501
(360) 902-8760

Wisconsin:
Administrator, Wisconsin
Division of Securities
201 W. Washington Ave.
Madison, WI 53703
(608) 261-9555

EXHIBIT H: MULTI-STATE ADDENDA

ADDITIONAL DISCLOSURES REQUIRED BY THE STATE OF CALIFORNIA

ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF CALIFORNIA

1. SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

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.

See the cover page of the disclosure document for our URL address. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT WWW.DBO.CA.GOV.

2. **STATE COVER PAGE**. The following RISK FACTORS are added to the STATE COVER PAGE:

THE FRANCHISE AGREEMENT CONTAINS PROVISION THAT LIMIT FRANCHISEE'S RIGHTS AND MAY NOT BE ENFORCEABLE IN CALIFORNIA INCLUDING BUT NOT LIMITED TO A TIME LIMIT TO RAISE CLAIMS AGAINST THE FRANCHISOR, LIMITATION OF DAMAGES AND WIAVER OF JURY TRIAL.

3. **Item 3, Litigation.** The following statement is added to Item 3:

Neither we nor any person listed in Item 2 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 such parties from membership in such association or exchange.

4. **Item 6, Interest.** The maximum interest rate in California is 10% annually.

5. **Item 17, Additional Disclosures.** The following statements are added to Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of the Development or Franchise Agreement. If the Agreements contain any provision that is inconsistent with the law, the law will control.

The Development and Franchise Agreement contain a covenant not to compete which extends beyond the termination of the franchise. These provisions may not be enforceable under California law.

You must sign a general release upon execution of the Development and Franchise Agreement, if you transfer the rights granted under the Development or Franchise Agreement and if you renew the Franchise Agreement. These provisions may not be

enforceable under California law. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 21000 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

The Development and Franchise Agreement provide for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101, *et seq.).*

The Development and Franchise Agreement provide for application of the laws of Florida. This provision may not be enforceable under California law.

The Development and Franchise Agreement contain a choice of forum provision. These provisions require that any action you bring be commenced in the jurisdiction where our principal business address is located, which is currently in Florida. These provisions may not be enforceable under California law.

6. **Item 5, Initial Fees**. The following replaces Item 5 of the FDD:

The Franchise Fee for a single Outlet is $50,000 and must be paid to us when you sign the Franchise Agreement.

If you sign an ADA, you will pay us at that time a non-refundable development fee based on the number of additional Outlets you commit to open ($25,000 for each additional Outlet). When you sign a franchise agreement for the Outlet, $25,000 will be applied as a credit toward the initial franchise fee due under the franchise agreement for that additional Outlet. Except as described in this Item 5, the Franchise Fee is uniform.

For Outlets to be located in the State of California, or for Franchisees who are California residents (if the Franchisee is an individual residing in California or if the Franchisee is an entity with its principal place of business in California), all fees will be deferred until the Franchisor completes all of its pre-opening obligations to the Franchisee. The payment of the franchise fee of $50,000 and any other initial payment will be deferred until you have established and commenced operation of an Outlet. You must pay us the entire initial franchise fee the day that the Outlet opens for business. Failure to pay this amount will be a default under the Franchise Agreement and will be grounds for termination upon written notice to you.

If you do not successfully complete initial training, or if we cannot agree on a suitable site for your Outlet within one year after you sign the Franchise Agreement, we may unilaterally cancel the Franchise Agreement.

There are no other initial fees or payments for services or goods received from us or our affiliates before your Outlet opens.

ADDENDUM TO THE FRANCHISE AGREEMENT
FOR USE IN CALIFORNIA ONLY

1. Section 4.1(a) of the Agreement, under the heading “Initial Franchise Fee,” shall be deleted in its entirety and shall have no force or effect, and the following shall be substituted in its place:

(a) The "Initial Franchise Fee" for a single franchised Outlet is $50,000. The Initial Franchise Fee is due and payable in full, by check, money order or wire transfer to our bank account, when you sign this Agreement. The Initial Franchise Fee is fully earned by BMF when paid. For Outlets to be located in the State of California, or for Franchisees who are California residents (if the Franchisee is an individual residing in California or if the Franchisee is an entity with its principal place of business in California), the payment of the Franchise Fee and any other initial payment will be deferred until you have established and commenced operation of the Restaurant. The Franchise Fee shall be paid in full on the day that the Outlet opens for business.

2. To the extent this Addendum shall be deemed to be inconsistent with any terms of the Franchise Agreement or Exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agree that is shall become effective the _____ day of _____, 20___.

Blue Martini Franchising, LLC, a Florida limited liability company

By: _____
Title: _____

_____
(Franchise

By: _____
Title: _____

RECEIPT

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 Blue Martini Franchising, LLC 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

If Blue Martini Franchising, LLC 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.

We have no franchise brokers. The name, address and telephone number of the franchise seller for this offering is William Herman, who works for Blue Martini Franchising, LLC, 477 South Rosemary Avenue, Suite 224, West Palm Beach, Florida 33401. Any additional individual franchise sellers involved in offering the franchise are:

_____.

Date of Issuance: April 2, 2019.

Blue Martini Franchising, LLC authorizes the person identified in Item 1 and Exhibit G to receive service of process for it in your state. I received a disclosure document dated April 2, 2019, that included the following Exhibits:

"A"	Franchise Agreement
	Exhibits to Franchise Agreement:
	Exhibit 1: Territory
	Exhibit 2: Names and Addresses of Principal Equity Owners
	Exhibit 3: Statement of Franchisee
"B"	Area Development Agreement
"C"	List of Franchise Outlets
"D"	List of Terminated Franchises
"E"	Financial Statements
"F"	Operations Manual
"G"	State Franchise Administrators and Agents for Service of Process
"H"	Multi-State Addenda

DATED: _____
(Do not leave blank)

If a business entity:

_____
(Name of Business Entity)

_____
(Signature of Primary Contact Owner)

_____
(Print Name and Title)

If an individual:

_____
(Signature of Prospective Franchisee)

_____
(Print Name)

Please date and sign this page, and then keep it for your records

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DATED: _____
(Do not leave blank)

If a business entity:

_____
(Name of Business Entity)

_____
(Signature of Primary Contact Owner)

_____
(Print Name and Title)

If an individual:

_____
(Signature of Prospective Franchisee)

_____
(Print Name)

Please date and sign this page, and then return it to Blue Martini Franchising, LLC, either by mail to Amy Liga McNamara, 477 South Rosemary Avenue, Suite 224, West Palm Beach, Florida 33401-5758 or by e-mail to amy@bluemartinilounge.com.