BUE FRANCHISING, LLC
3651 Lindell Road, Suite 11
Las Vegas, NV 89103
www.bottomsupespresso.com
1-844-BottomUp

FRANCHISE DISCLOSURE DOCUMENT

March 7, 2019

BUE FRANCHISING, LLC
(A Nevada Limited Liability Company)
3651 Lindell Road, Suite 11
Las Vegas, NV 89103
1-844-BottomUp
franchise@bottomsupespresso.com
www.bottomsupespresso.com

The franchise described is known as "Bottoms Up Espresso"™ ("BUE"). BUE is involved in the business of providing gourmet coffee drinks and specialty beverages. BUE franchisees provide gourmet coffee drinks, specialty beverages, and other related merchandise products to customers in a retail, drive-thru setting with baristas dressed in daily themes.

The total investment necessary to begin operation of a BUE Single Unit franchised business is $106,100 to $245,300. This includes an Initial Fee of $39,000.00 that must be paid to Us.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Nathan Wilson at 3651 Lindell Road, Suite 11, Las Vegas, NV 89103, or email at franchise@bottomsupespresso.com or telephone him at 1-844-BottomUp.

The terms of your contract will govern your franchise relationship. Do not 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, like a lawyer or an accountant.

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

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

Issuance Date: March 7, 2019

[The remainder of this page is intentionally left blank.]

STATE COVER PAGE

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

Call the state franchise administrator listed in Exhibit H 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 MEDIATION OR LITIGATION IN SACRAMENTO COUNTY, CA. OUT-OF-STATE MEDIATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT ALSO COSTS YOU MORE TO MEDIATE OR LITIGATE WITH US IN SACRAMENTO COUNTY, CA THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT REQUIRES THAT NEVADA 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. YOUR SPOUSE AND THE SPOUSE OF ALL OWNERS, IF FRANCHISEE IS AN APPROVED BUSINESS ENTITY, MUST SIGN A SPOUSAL CONSENT, MAKING THE SPOUSE JOINTLY AND SEVERALLY LIABLE FOR THE OBLIGATIONS UNDER THE FRANCHISE AGREEMENT, PLACING THE SPOUSE'S OWN PERSONAL ASSETS AT RISK.

4. THE TERRITORY IS NOT EXCLUSIVE. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM FRANCHISOR OWNED OUTLETS OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS FRANCHISOR CONTROLS.

5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

A chart of State Effective Dates is located on the following page:

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.

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

California:	August 21, 2018	North Dakota:
Connecticut:		Oregon:
Hawaii:		Rhode Island:
Illinois:		South Dakota:
Indiana		Virginia:
Maryland:		Washington:
Michigan:		Wisconsin:
Minnesota:		
New York:		

[The remainder of this page is intentionally left blank.]

TABLE OF CONTENTS

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

To simplify the language in this Disclosure Document, the words “we,” “our” and “us”, "BUE" and “BUE” refer to BUE Franchising, LLC, the franchisor of this business. “You” and “your” refer to the person who buys the franchise, whether you are an individual, a Corporation, Limited Liability Company or other business entity. If You are a Corporation, Limited Liability Company or other business entity, certain provisions of this Disclosure Document also apply to your owners and will be noted. Our agent for service of process is disclosed at the end of this Disclosure Document in Exhibit G.

The Franchisor and its Affiliates

We were organized as a Limited Liability Company in Nevada on April 17, 2015. We have no parents. Our principal business address is 3651 Lindell Road, Suite 11, Las Vegas, NV 89103. We do business under our company name and the names “BUE”, “BUE Franchising” and “Bottoms Up Espresso”. We have offered franchises since April 17, 2015.

We have two affiliate(s). One Affiliate is the holder of our intellectual property and offers products to the franchisees and the other Affiliate operates our corporate store locations and houses training. Our Affiliates include:

Bottoms Up Holdings, LLC which is located at 3651 Lindell Road, Suite 11, Las Vegas, NV 89103. Bottoms Up Holdings, LLC is the holder of our intellectual property and offers products to the franchisees. Bottoms Up Holdings, LLC does not offer nor has it previously offered a franchise in this or any other line of business.

Bottoms Up Espresso, Inc., which is located at 5278 Jerusalem Court, Suite 1, Modesto, CA 95356. Bottoms Up Espresso, Inc. operates our corporate store locations and houses training. Bottoms Up Espresso, Inc. does not offer nor has it previously offered a franchise in this or any other line of business.

We grant franchises to qualified persons or business entities in connection with the service mark “Bottoms Up Espresso” and other related logos (collectively referred to as the “Marks”). We refer to these businesses as “BUE Businesses.” We refer to the BUE Businesses You will operate as the “Franchised Business.” You must operate the Franchised Business in accordance with our standards, methods, procedures and specifications, which we refer to as our “System” and which are more particularly described in our Franchise Agreement.

BUE Franchising, LLC has never operated a BUE Business. We are not engaged in any other line of business, nor have we ever offered franchises in another line of business.

General Description of the Franchise, Market and Competition

The franchise described is known as “Bottoms Up Espresso”™ (“BUE”). BUE is involved in the business of providing gourmet coffee drinks and specialty beverages. BUE franchisees provide gourmet coffee drinks, specialty beverages, and other related merchandise products to customers in a retail, drive-thru setting with baristas dressed in daily themes.

Regulations

The restaurant industry, as with any business, are regulated. Many of the laws, rules and regulations that apply to business generally, such as the Americans with Disabilities Act, Federal wage and hour laws and the Occupational Safety and Health Act, also apply to restaurant industry businesses. You will be required to comply with all Federal, State, and local laws, rules and regulations, including a background check, credit check, requested Territory information, franchised business entity information, and a pre-training test consisting of information from the company's drink and managers manuals., and will timely obtain, maintain and renew when required all permits, certificates, and licenses necessary for the proper operation of your BUE Franchise, including qualification to do business, fictitious trade or assumed name registration.

Additionally, you must comply with all rules, laws and regulations relating to the gourmet coffee drinks and specialty beverages industry, including but not limited to, regulations by the U.S. General Services Administration, and those laws issued and enforced by state and local health departments.

You should consider these and other applicable laws and regulations when evaluating your purchase of a franchise. Under the Franchise Agreement, you alone are responsible for complying with all applicable laws and regulations despite any advice or information we may give you.

ITEM 2 - BUSINESS EXPERIENCE

Franchise Founder and President: Nathan Wilson

Nathan Wilson is the founder of BUE and is the company's President. He graduated with a degree in Applied Science in 2002. During his 11 years in construction, leading crews on multi-million dollar projects, Nathan co-founded Bottoms Up Espresso, Inc. in Modesto, CA of 2012. He continued both until Bottoms Up Espresso, Inc. tripled in size. In 2013, he focused on the Bottoms Up Espresso, Inc. business solely and watched it once again grow. He started plans to franchise the business in 2014.

ITEM 3 - LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4 - BANKRUPTCY

No Bankruptcy information is required to be disclosed in this Item.

ITEM 5 - INITIAL FEES

Franchise Agreement

You must pay Us an Initial Fee of Thirty-Nine Thousand Dollars and 00/100 ($39,000.00), to purchase a Single Unit Franchise, along with your Starter Kit of Opening Inventory and Materials valued at approximately Five Thousand Dollars and 00/100 ($5,000.00) worth of items. You will pay the Initial Fee in one lump sum, which is due at the signing of your Franchise Agreement, unless modified by a State Addendum attached at Exhibit F to this Disclosure Document. This fee is fully earned upon signing this Agreement.

The Initial Fee is due to us in a lump sum when you sign the Franchise Agreement, unless otherwise stated in the State Addendum attached. The Initial Fee is payment, in part, for expenses incurred by us in furnishing assistance and services to you as set forth in the Franchise Agreement and for costs incurred by us, including general sales and marketing expenses, training, legal, accounting and other professional fees. The Initial Fees are non-refundable.

Veteran Discount

The Initial Fee above is not uniform for all franchisees. We offer ten percent (10%) discount to the Initial Fee for U.S. military who are eligible VetFran members.

Automatic Termination

If you have not executed a lease or purchase contract acceptable to BUE within 180 days of the execution of your Franchise Agreement (subject to extension by mutual agreement of the parties), then the Franchise Agreement will terminate automatically. If such automatic termination occurs the entire Franchise Fee will be retained by BUE and you will not be entitled to a refund of any monies paid.

ITEM 6 - OTHER FEES

Below is a detailed description of other recurring or isolated fees or payments that You must pay to us or that we impose or collect for a third party under the terms of the Franchise Agreement. The fees are uniformly imposed unless noted otherwise below in the Remarks column. All Fees are Due Weekly on Wednesday by ACH Auto Debited unless stated differently below.

Name of Fee	Amount	Due Date	Remarks
Royalty Fee[1]	6% of gross sales for each month	Monday, for the previous Week ending the last full day of the preceding Week	6% of Gross Sales per week. See definition of Gross Sales.[3] This is the amount due Us.
National Marketing Fund[1]	Two percent (2%), beginning the 13th month following the date the franchised business is open to the public,	On Monday, for the previous week ending the Sunday of the preceding week.	Contributions must be paid weekly. We do not require National Marketing Funds to be used in cooperative advertising however, a cooperative may determine its members' required contributions, if one is created by its members. We reserve the right to raise the National Marketing Fund fee if needed. You will have at minimum thirty (30) days' notice of the change.
Local Marketing Fee	$250.00 per month, (Proven)	Monthly	You will submit to us the proof that you have made these contributions from the previous month towards your local marketing.

Intranet Fee	$10.00 per week	On Monday, for the previous week ending the Sunday of the preceding week	This covers the software fee and the Intranet, online inquiries, payment processing, maintenance, hosting, and research and development.
Telephone Directory Advertising[4]	Varies according to area and type of listing	As invoiced	You are required to list and advertise in the "white pages" of your local telephone directory.
Audit Expenses[1]	All costs and expenses associated with audit	Upon demand	Audit costs payable only if the audit shows an understatement in amounts due of 2% or more.
Late Fees[2]	$150.00 as a late fee per incident	Upon demand	Applies to all overdue Royalty Fees, Marketing Fees and other amounts due to Us. Also applies to any understatement in amounts due revealed by an audit. All interest is compounded daily.
Insufficient Funds Fee	$150.00 as a late fee per incident	Upon demand	Applies to all non-approved (ACH Debit) or returned payments made by You that do not fund or clear Your bank for any reason whatsoever.
Insurance	Amount incurred	As required by third party	You must have insurance coverage in the amounts specified within the Franchise Agreement.
Insurance Policies[5]	Amount of unpaid premiums plus our reasonable expenses in obtaining the policies	Upon demand	Payable only if You fail to maintain required insurance coverage and We elect to obtain coverage for You.
Transfer Fee[1]	$10,000.00	Time of transfer	A $10,000 Transfer fee is due when submitting the Notice of Selling, which is not refundable. Does not apply to a transfer under Section 18.3 of the Franchise Agreement.
Transfer Training	$5,000.00	Time of Transfer training	Due upon Signing of the New Franchise Agreement with Transferee. Additional trainees can attend at a rate of $1,000 each. All travel, room and board will be at Transferee's expense.

Name of Fee	Amount	Due Date	Remarks
Other Audit Fees and Amounts[7]	All costs and expenses associated with audit	Upon demand	You will be required to pay for any other third party audits, including any governmental type audits.
Customer Service[1]	All costs incurred in assisting Your consumers	Upon demand	You must reimburse Us if We determine it is necessary for Us to provide service directly to any of Your customers.
Additional Training[6]	Rates as published in the Manual; currently, $500.00 per day and $75.00 per diem, plus (i) Our travel expenses or (ii) Your expenses as well as Your employees' expenses in attending	Time of service	You pay for additional training for additional trainees at Our facility at a rate $500.00 per day and $75.00 per diem.
Additional Operations Assistance[6]	Rates as published in the Manual; currently $500.00 per day and $75.00 per diem plus our expenses	Time of assistance	We provide You with assistance around the beginning of operations at no charge to You. You pay for additional assistance if You request it or if We provide assistance to Your clients for up to one week (1).
Ongoing Training Programs	You are required to pay Your expenses as well as Your employees' expenses for attending	Time of program	We provide Update Training. No tuition or training fees are assessed; attendance will not be required more than 1 time per year and collectively will not exceed 4 days in any calendar year.
Temporary Management Assistance[1]	Rates as published in the Manual;	Each day that it applies	Following the death or incapacity of an owner of the Franchised Business. We may assume operation of the Franchised Business until the deceased or incapacitated owner's interest is transferred to a third party approved by Us, up to a maximum of 60 days. We charge this temporary management fee during the time We are operating Your Franchised Business and We will also be entitled to reimbursement of any expenses We incur that are not paid

Name of Fee	Amount	Due Date	Remarks
			out of the operating cash flow of the Franchised Business.
National / Regional Meetings	$1,500.00 for two attendees (Non-attendance incurs an additional penalty of $2,500.00)	Ninety (90) days before the annual meeting, fifty percent (50%) of the payment is due. Then forty-five (45) days later, the remaining payment balance is due.	We provide Annual Training at Our Annual Convention. We will provide all convention entrance fees, except hotel and airfare costs for up to two people to attend the training session. Additional attendees will be billed at $750.00 each.
Indemnification / Legal Fees	All costs including attorneys' fees	Upon demand	You must defend lawsuits at Your cost and hold Us harmless against lawsuits arising from Your operation of the Franchised Business.
Renewal Fees	$5,000.00	270-90 days prior to termination	You must notify Us in writing at least 9 months prior to the end of Your Franchise Agreement with Us that You wish to Renew Your Franchise. You must also sign a General Waiver and Execute the then-current Franchise Agreement.
Replacement Operations Manuals	$500.00 each	Upon request	You are loaned one copy of the Operations Manuals. If You require a replacement copy this fee will be due upon ordering it.
Liquidated Damages on Confidential Information Disclosure only	$20,000.00 per breach		This is contained in the Confidentiality Agreement attached as Exhibit C, and only applies prior to becoming a Franchisee.
Liquidated Damages	Within 15 days, pay the amount due based upon the formula noted in the Remarks section	Upon termination	An amount equal to the average monthly Royalty Fees Franchisee paid to Us during the 3 months of operation preceding the effective date of termination multiplied by (a) 24 (being the number of months in two full years), or (b) the number of months remaining in this Agreement had it not been terminated, whichever is higher, or until the Protected Non-Exclusive Territory, as defined under Section 2.5 is granted to a third party, without the necessity of holding a

Name of Fee	Amount	Due Date	Remarks
			full trial, and without the necessity of posting security or bond. The liquidated damages provision only covers Our damages from the loss of cash flow from the loss of continuing Royalty Fees.
Prospective Supplier Sample Tests	$150.00, plus actual costs incurred	At time of request	If you wish to have us test out a new supplier there will be a $150.00 fee. The new supplier will go through a 90 day approval timeframe and a 3 month test market.

No other fees or payments are to be paid to Us, nor do we impose or collect any other fees or payments for any other third party. All fees are generally nonrefundable.

NOTES

1 These fees are imposed by Us and deducted from Your ACH Account from Your Gross Sales and are payable to Us as listed in due date column of the above chart. Franchisor owned units do not have voting power in cooperatives established. The Royalty Fees, the Service Fee and the Capital Access Charge fee, plus any other amounts you owe us will be deducted from payments that your Customers submit to You under the Order Processing System, or as a separate ACH withdrawal if warranted. (see Item 8) We may pass through to You any additional fees we incur if You pay Us any amounts by credit card.

2 The daily additional fee begins the day after underpayment.

3 “Gross Sales” means the aggregate of all income and monthly fees Franchisee receives from Customers for the purchase or provision of any goods or services, including enrollment fees, or any other person or business entity for the Franchised Business in connection with the Franchised Business (whether or not in accordance with the terms of the Franchise Agreement) and whether for check, cash, credit or otherwise, from the sale of products and services (including service charges in lieu of gratuity) regardless of the dollar amount Franchisee sells each product or service for, including, without limitation, all proceeds from any business interruption insurance, but excluding (a) all insurance payments, check, cash, credit or debit card refunds made in good faith provided, prior to granting the refunds, the revenue related to the refunds was included in Gross Sales, (b) any sales and equivalent taxes that Franchisee collects for or on behalf of and pay to any governmental taxing authority, and (c) any rebate Franchisee receives from a manufacturer or supplier.

4 Local and telephone directory advertising is in addition to and exclusive of the Local Marketing Contribution.

5 You must maintain certain types of insurance coverage as disclosed in Item 9 or in the Manual. If You do not, we may immediately obtain or reinstate the required coverage on Your behalf, and You must promptly reimburse Us for the costs of obtaining insurance and any additional costs incurred by Us in obtaining your coverage or reinstatement.

6 These amounts are estimates and approximate the average charge to You for services. Charges may vary based upon the actual time spent by Our staff and the duration of the training or assistance provided.

ITEM 7 - ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT [1]				
EXPENDITURE	**AMOUNT**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
INITIAL FEE[2]	$35,100.00 to $39,000.00	Lump Sum	Upon Signing the Franchise Agreement[2]	Us
TRAVEL AND LIVING EXPENSES WHILE TRAINING[9]	$1,500.00 to $4,500.00	As Incurred	During Training/Before Opening	Airlines, Hotels, Businesses, Car Rental Companies, etc.
RENT / REAL ESTATE DEPOSIT	$700.00 to $5,000.00	As Arranged	As Arranged	Landlord
UTILITY AND MISCELLANEOUS SECURITY DEPOSITS[4]	$200.00 to $5,000.00	As Arranged	Before Opening, may depend upon your personal credit history or ratings	Landlord and Utility Companies
LEASEHOLD IMPROVEMENTS	$10,000.00 to $50,000.00	As Arranged	Before Opening, may be included in lease negotiations	Landlord
FURNITURE, FIXTURES, AND EQUIPMENT[6]	$30,000.00 to $70,000.00	As Arranged	Before Opening	Approved Suppliers and Vendors
OPENING INVENTORY[7]	$5,000.00 to $10,000.00	Lump Sum	As arranged	Us
SUPPLIES AND OTHER OPENING ITEMS[7]	$500.00 to $1,000.00	As Arranged	Before Opening	Approved Suppliers and Vendors
GRAND OPENING	$2,000.00 to $5,000.00	As Arranged	Before Opening	Approved Suppliers and Vendors

YOUR ESTIMATED INITIAL INVESTMENT [1]				
EXPENDITURE	**AMOUNT**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
VEHICLE LEASE[6]	$0.00 to $2,100.00	As Arranged	Monthly/As Arranged, A Portion Before Opening	Leasing Company
INSURANCE[8]	$325.00 to $1000.00	As Arranged	Monthly/As Arranged, A Portion Before Opening	Insurance Company
VEHICLE INSURANCE[8]	$75.00 to $200.00	As Arranged	Monthly/As Arranged, A Portion Before Opening	Insurance Company
SIGNAGE[5]	$5,000.00 to $7,500.00	As Arranged	Before Opening	Third Party
LICENSING AND PERMITS [7]	$1,000.00 to $1,500.00	As Incurred	During Training/ Before Opening	Third Party Vendors
VEHICLE WRAP[11]	$1,500.00 to $3,000.00	As Arranged	Before Opening	Approved Suppliers and Vendors.
UNIFORMS[8]	$200.00 to $500.00	As Arranged	As Incurred, A Portion Before Opening	Approved Suppliers and Vendors
LEGAL / ACCOUNTING[8]	$3,000.00 to $10,000.00	As Arranged	As Incurred	Your chosen professional
ADDITIONAL FUNDS[10] (Three Months)	$10,000.00 to $30,000.00	As Incurred	As Incurred	Operating Capital
TOTAL[1, 13] Single Unit	**$106,100.00** to **$245,300.00**			

NOTES TO ITEM 7.

1. Estimated Initial Investment

The above estimates do not provide for your cash requirements to cover operating costs after the initial phase or personal living expenses. You must have additional sums available, whether in cash or through unsecured credit lines or have other assets that You may liquidate or that You may borrow against, to cover your personal living expenses and any operating costs after the initial phase of your BUE™ Franchise. We urge You to retain the services of an experienced accountant or financial advisor in order to develop a business plan and financial projections for your BUE™ Franchise. Your actual investment will vary depending upon local conditions particular to your geographic area or market. As described in Item 10 below, we do offer in-house financing arrangement to You.

2. Initial Fee

As discussed in Item 5 above All initial Fees may be modified by a State Addendum attached as Exhibit G.

3 Real Estate/Rent

Your BUE Franchised Business will be run out of a business location. Your monthly rent and security deposit or monthly mortgage payments as a projected high-low dollar investment as to leasing space in a business location are somewhat difficult to predict. They will depend upon the size, condition and location of the premises and the demand for the premises among other possible tenants or purchasers, along with the particular building's prevailing rental rates for your particular locale.

4 Lease, Utility and Miscellaneous Security Deposits

You will most likely be required to pay a lease deposit (typically the last month's rent) before You can enter the premises. Utility companies may require You to place a deposit and/or pay an installation fee before occupying the premises or installing telephone, gas, electricity and related utility services. These deposits may be refundable under agreements made with the Landlord and utility companies.

5 Leasehold Improvements

The cost of construction and leasehold improvements depends upon the size and condition of the premises, the local cost of contract work and the location of the Franchise Business. In some cases, a "vanilla shell" is available which can be used without requiring extensive demolition or renovation. In other cases, the space may require extensive renovation, construction of ceilings, walls, plumbing, flooring and lighting, before finishes can be installed. The range of figures for a Franchise Business is for the cost of reasonable renovation or leasehold improvements. This figure does not include all signage necessary for the franchise location.

You must have interior and exterior signage bearing the Marks as prescribed by Us. The cost of signage will vary based upon the supplier of the signage, size, number of signs, and requirements of the building location and may also be affected by applicable municipal code and zoning restrictions. You must use at least those signs shown on the standard list of internal signs We require for every Franchised Business.

6 Furniture, Fixtures and Equipment

The equipment estimate does not include import fees, shipping or freight. The vehicle lease estimate is based on monthly payments for the first three (3) months on an approved vehicle with a standard interest rate, in which the age of the vehicle must be within the last ten (10) years.

The equipment necessary for the operation of a BUE Business is listed in the Confidential Operations Manual (the "Manual"). You must purchase approved brands and models from approved suppliers. The cost of the equipment will depend on financing terms available, the size of the Franchised Business, brands purchased, and other such relevant factors.

Fixtures may include desks, signs, wall coverings, and decorations. The cost of fixtures will vary, depending on the layout of the Franchise Business, and other relevant factors.

However, all equipment, fixtures, construction, leasehold improvements and interior decor (if applicable) must meet Our standards and specifications and must be approved by Us. Local ordinances may result in variances in the type of required furniture, fixtures or equipment, which may affect the total price.

7 Opening Inventory

The Opening Inventory is the amount of Initial Product or Supplies you must have in your BUE location. In the chart above it reflects $0, because the initial inventory is supplied to you prior to Soft Opening by Us. While the Inventory, Cleaning Supplies, and Other Opening Items are the small amount of miscellaneous items that is not included in your Opening inventory kit provided by Us. The Opening Inventory is the amount of Initial Product you must have for your business. In the chart above it reflects $5,000.00, as the minimum anticipated amount of initial inventory, some inventory may be supplied to you prior to Opening by Us. While the reflected $10,000.00 includes the amount for larger locations. The amount for Inventory, Supplies, and Other Opening Items for the small amount of miscellaneous items is not provided by Us.

Supplies and Other Opening Items

Supplies and Other Opening Items is the amount of Initial Product you must have for your business. In the chart above it reflects $500, as the minimum anticipated amount of initial inventory, some inventory may be supplied to you prior to Opening by Us. While the reflected $1,000 includes the amount for larger locations. The amount for Inventory, Supplies, and Other Opening Items for the small amount of miscellaneous items is not provided by Us.

8 Insurance

You must obtain and maintain the required insurance coverage as described by Us in Item 9 of this Disclosure Document and in the Franchise Agreement. The cost of insurance will vary based on types and limits of insurance purchased, location of the Franchise Business, terms available and other related factors. The estimate provided is for your insurance deposit and includes the vehicle(s) within the estimate.

9 Training

You and your District Manager must participate in our initial training as stated in Item 11 of this Disclosure Document. The fee for the Initial Training Program is included in the Initial Fee. You may participate in Our additional training programs. All Initial Fees are used to defray Our costs for providing training, promotional assistance and materials and other services to be provided by Us. Additional information regarding training is available in Item 11 of this Disclosure Document.

10 Additional Funds

An amount of working capital is projected as sufficient to cover operating expenses for three months, including software, employee salaries and overhead, but excluding salary for an owner-operator. However, BUE cannot guarantee that this amount will be sufficient or that You will not have additional expenses starting the business. Your costs will depend on factors such as: how much You follow BUE's methods and procedures; Your management skill, experience and business acumen; local economic conditions; the local market for our product; the prevailing wage rate; competition; and the sales level reached during the initial period.

11 Vehicle Wrap

This fee is for a vehicle wrap on an approved vehicle, in which the age of the vehicle must be within the last ten (10) years.

13 Total

We relied upon our business experience to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

We cannot guarantee that this amount will be sufficient or that You will not have additional expenses starting the business. 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 product; the prevailing wage rate; competition; and the sales level reached during the initial period.

We do offer some direct financing to You for the Initial Fee only, on approved credit and pursuant to the terms described more fully in Item 10. We may also provide assistance to You in obtaining outside financing.

ITEM 8 - RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Franchise Business and Location

You must submit the location of your choosing for approval. The location must meet Our location selection guidelines for a BUE business. The criteria used in approving the location may include generally accepted criteria for assessing the sales performance of target metropolitan centers, parking availability, signage availability, the proximity to highway and freeway entrances, places that are heavy in commuter traffic, along the route of traffic flows, or similar business destinations that attracts large amounts of potential customers that are located within the proposed Territory and diversity of contacts within those areas.

Services, Equipment; Fixtures; Furniture and Signs

You must contract, purchase, lease, or license any services, equipment, furniture, fixtures, supplies, or other materials to be used in the operation of the Franchise Business, for Your Business only from suppliers that we designate or approve (which might include or be limited to Us or our affiliates), if stated in the Manual or previously approved in writing by Us. You may purchase items and services for which we have not identified approved suppliers from any source, if the items and services meet our specifications.

Other Products; Supplies and Materials

To maintain the quality and consistency of all Franchise Businesses and Franchise Business products, You must purchase all products, goods, services, supplies, fixtures, materials or equipment and signs; and other materials and supplies used in the operation of the Franchise Business that meet the specifications and quality standards established periodically by BUE and from suppliers and manufacturers approved by BUE, as described below.

You must use only envelopes, business cards, letterhead, labels and documentation imprinted with the Marks and colors as prescribed and approved by BUE.

Specifications and Standards

To maintain the high standards of the quality assurance program and to ensure compliance with service specifications, HIPPA, OSHA, and industry standards, BUE reserves the right to approve sources of services or products sold in Franchise Businesses. Any changes to or modifications of the System, the Manual, or any standard will be promptly communicated to You.

You must comply with Our specifications for brands and types of equipment used in Your Franchised Business. If you propose to purchase any items for use in your Franchised Business from an unapproved source for which we have identified, designated, or approved supplier(s), you must request our approval first. We may require, as a condition of granting approval that our representative(s) be permitted to inspect the supplier's facilities, and that information, specifications, and samples as we reasonably request be delivered to us for testing. We will notify you within 120 days of your request as to whether we approve the supplier or product. If no approval is received within 120 days, it is deemed denied. Upon written acceptance and approval by us of services or products and suppliers submitted for inclusion on the Approved Suppliers List and Approved Supplies List, You will be free to purchase such service or product from such approved supplier. We may revise our Approved Supplier and Approved Supplies Lists.

We apply the following general criteria in designating a proposed supplier as an approved source:

1. Ability to provide the service or product to Our quality specifications;
2. Production and delivery capability;
3. Minimum standards for safety;
4. Integrity of the supplier; and
5. Legality of the product or company.

Currently, we are not a designated or approved supplier for any products or service nor do We receive benefits from any approved suppliers. However, our Affiliate, Bottoms Up Holdings, LLC and Bottoms Up Espresso, Inc., is the approved supplier for some products, furniture, fixtures and equipment, uniforms, some promotional items, and other miscellaneous items. Except as stated in this Item, neither We nor any persons affiliated with us is or are an approved supplier of any required goods or services, and neither You nor any person affiliated with us will or may derive revenues as a result of required purchases or leases by You.

We estimate that the cost of required equipment and supplies purchased in accordance with our specifications will represent (a) twenty-one percent (21%) of your total purchases and leases in establishing the business and (b) thirty-six percent (36%) of your total purchases and leases during operation of the business.

Insurance

You must obtain and maintain insurance, at Your expense, with policy limits as required by Us, applicable law, Your landlord, and lender or otherwise. The policies must be written by an insurance company reasonably satisfactory to Us with a Best rating of "A-" or better and include the risks, amount of coverage and deductibles as stated below. We reserve the right to increase the minimum insurance requirements.

a) "all risk" property insurance, including business interruption insurance, customarily obtained by similar businesses in your general area to cover, at a minimum, all assets including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of your BUE Business; and

b) General commercial liability insurance in an amount of not less than $1,000,000.00 per occurrence with a $2,000,000.00 general aggregate; and

c) Comprehensive general liability insurance, including products and contractual, in an amount of not less than $1,000,000.00 per occurrences with a $2,000,000.00 general aggregate; and

d) Workers' compensation insurance for statutory limits and employer's liability insurance in an amount not less than $1,000,000.00; and

e) Professional liability insurance in an amount of not less than $1,000,000.00 per occurrence with a $2,000,000.00 general aggregate; and

f) Vehicle replacement insurance to cover the cost of acquiring a replacement vehicle, typically around $24,000.00; and

g) An umbrella policy in amount of not less than $1,000,000.00.

Bookkeeping and Records

You will establish and maintain a bookkeeping, accounting and record keeping system conforming to Our requirements, as may be periodically revised. You will submit periodic reports, forms and records as specified in the Franchise Agreement or the Manual or otherwise.

ITEM 9 - FRANCHISEE'S OBLIGATIONS

This table lists Your principal obligations under the Franchise Agreement and other agreements. It will help You find more detailed information about Your obligations in these agreements and in other ITEMS of this Disclosure Document.

Obligation		**Section In the Franchise Agreement (FA)**	**ITEM In the Disclosure Document**
a.	Site selection and acquisition/lease	FA: Article 5	ITEMS 11 and 12
b.	Pre-opening purchases/leases	FA: Articles 5, 12 and 15	ITEMS 7, 8 and 11
c.	Site development and other pre-opening requirements	FA: Articles 5 and 8	ITEMS 7, 8 and 11
d.	Initial and ongoing training	FA: Article 8	ITEMS 6, 7 and 11
e.	Opening	FA: Articles 5 and 8	ITEM 11
f.	Fees	FA: Articles 3, 5, 8, 10, 11, 12, 13, 15, 18 and 21	ITEMS 5, 6, 7 and 11
g.	Compliance with standards and policies/Operating Manual	FA: Articles 6, 7, 9, 10, 11, 12 13 and 15	ITEMS 8 and 16
h.	Trademarks and proprietary information	FA: Articles 6, 7 and 9	ITEMS 13 and 14
i.	Restrictions on products/services offered	FA: Articles 5, 6, 7, 10 and 13	ITEMS 8 and 16
j.	Warranty and customer service requirements	FA: Article 13	ITEM 16
k.	Territorial development and sales quotas	FA: Article 2	ITEM 12
l.	Ongoing product/service purchases	FA: Article 13	ITEMS 8 and 11
m.	Maintenance, appearance and remodeling requirements	FA: Articles 5, 10 and 13	ITEM 6
n.	Insurance	FA: Article 15	ITEMS 6, 7 and 8
o.	Advertising	FA: Articles 3 and 11	ITEMS 6, 7 and 11

Obligation		Section In the Franchise Agreement (FA) and Development Agreement (DA)	ITEM In the Disclosure Document
p.	Indemnification	FA: Article 21	ITEM 6
q.	Owner's participation/ management/ staffing	FA: Articles 8 and 13	ITEM 15
r.	Records and reports	FA: Articles 5 and 12	ITEM 11
s.	Inspections and audits	FA: Articles 6, 12 and 16	ITEMS 6, 11 and 13
t.	Transfer	FA: Articles 16 and 18	ITEM 17
u.	Renewal	FA: Articles 4 and 16	ITEM 17
v.	Post-termination obligations	FA: Article 17	ITEM 17
w.	Non-competition covenants	FA: Articles 7, 17 and Exhibit 2	ITEM 17
x.	Dispute resolution	FA: Article 23	ITEM 17

ITEM 10 - FINANCING

We do not offer direct or indirect financing. We do not guarantee any note, lease, or obligation on your behalf. We will, if such is available, introduce you to financial sources and suppliers who may offer credit arrangements, but we will not derive income from the placement of financing. You may obtain financing from any source, at your discretion, upon such terms and conditions as you may negotiate.

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

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

A. Our Pre-Opening Obligations

Before You open your Franchised Business, we will:

1. designate your true Territory, as further described in ITEM 12; (Franchise Agreement, Section 2.5)

2. if we have not already approved a site that You have selected before signing the Franchise Agreement, then we must approve a site for You prior to opening based on the following criteria: the condition of the premises; demographics of the surrounding area; proximity to other BUE™ Businesses; proximity to other businesses involved in the retail gourmet and specialty coffee industry; lease requirements; available utility, Wi-Fi, and installation providers; proximity to major roads; proximity to the proximity to highway and freeway entrances, places that are heavy in commuter traffic, along the route of traffic flows, or similar business destinations that attracts large amounts of potential customers that are; and overall professional business location suitability. We will provide You with written notice of our approval of any proposed site within 14 days after receiving all requested information. If You do not receive a denial from us within 14 days, the site is deemed approved. If You receive a denial, You must submit an alternate site until approved. You are solely responsible for locating and obtaining a site that meets our standards and criteria and that is acceptable to us, we will assist You in finding a suitable site. In the event an approved location cannot be determined, either party may terminate the Franchise Agreement; (Franchise Agreement, Sections 2.2, 2.3 and 5.1)

Note: Neither We nor any of our employees have special expertise in selecting sites; We make no representations that Your Franchised Business will be profitable or successful by being located at the Approved Location. Any approval is intended only to indicate that the proposed site meets our minimum criteria based upon our general business experience;

3. review and approve Your lease or purchase agreement for the site for the Approved Location, including if applicable, discussions and assistance in obtaining the required Lease Rider for Your location; (Franchise Agreement, Section 5.3)

Note: Our review of Your lease or purchase agreement and any advice or recommendations we may offer is not a representation or guarantee by us that You obtained the best deal for the lease, or that You will succeed at the leased or purchased premises;

4. provide You with a standard overview for the build-out, such as sample floor plans of the Franchised Business, if necessary, along with a list of suggested equipment that You might choose to purchase or lease and install; (Franchise Agreement, Section 5.4)

Note: Neither We nor any of our employees have special expertise in conforming the plans and specifications to Your local territory. You will be solely responsible for ensuring that all local ordinances and building codes are followed and that You obtain all required permits if You choose, or are required to build-out;

5. provide an initial training program. This training is described in detail later in this ITEM; (Franchise Agreement, Section 8.1)

6. provide to You on-site assistance in presentations to qualified customers within the Franchised Business Territory; (Franchise Agreement, Section 8.2);

7. provide to You, on loan, one copy of the BUE™ Business Operations Manual(s), either in electronic or paper form. The Table of Contents of the Operations Manual(s), along with the number of pages devoted to each section, is described in detail later in this ITEM; (Franchise Agreement, Section 9.1)

B. Typical Length of Time Between the Signing of the Franchise Agreement and Beginning Operation

We estimate that the typical length of time between the signing of the Franchise Agreement and the Opening of a BUE™ Business to be between 60 - 90 days for leased property. 90 - 120 days, if you build, which we do not recommend or require. Factors that may affect your beginning operations include your completion of the training package requirements, ability to secure travel arrangements to training, financing, compliance with local ordinances, available training seats when signing, general contractors abilities and timelines, weather conditions and delays in setup or installation of computers, software, equipment and fixtures. You are required to open your Franchised Business and be operational with your Soft Opening within 90 days after signing the Franchise Agreement, and with a scheduled Grand Opening 3 days later, unless waived in writing. (Franchise Agreement, Section 5.6 and Section 16.2)

C. Other Assistance During the Operation of The Franchised Business

After the opening of the Franchised Business, We will:

1. periodically advise and offer general guidance to You by telephone, e-mail, webinars, facsimile, newsletters or other methods. Any guidance provided will bebased on our, our Affiliates', Suppliers and our other franchisees' experience in operating BUE™ Businesses. Such advice and guidance may consist of knowledge and experience relating to the authorized services or products, assistance in obtaining consumers, communication of new developments, improvements or additions, software, equipment and supplies, as well as operational methods, accounting procedures, marketing and sales strategies; (Franchise Agreement, Section 14.1)

2. make periodic visits to the Franchised Business to assist and guide You in various aspects of the operation and management of the Franchised Business, as we see fit. We may prepare written reports outlining any suggested changes or improvements in the operations of the Franchised Business and detail any deficiencies that become evident as a result of any such visit. If we prepare a report, You will be provided with a copy; (Franchise Agreement, Section 14.2)

3. communicate directly with the consumer, marketing, employees or independent contractor(s), or other person or entity not the franchisee, to provide assistance before, during, or after the initial sale at the rate of $500.00 per day pro-rated, payable weekly by ACH Deposit, by Wednesday of the week following the support; (Franchise Agreement, Sections 8.5 and 14.1)

4. make available to You changes and additions to the System as generally made available to all franchisees; (Franchise Agreement, Section 10.2 and 14.3)

5. periodically, provide advertising and promotional materials including ad-slicks, brochures, fliers, and other materials for your use or purchase; (Franchise Agreement, Section 14.4)

6. approve forms of advertising materials You will use for Local Advertising, Opening Advertising and any optional Advertising; (Franchise Agreement, Sections 11.1, 11.2 and 11.4)

7. maintain our websites located at www.bottomsupespresso.com and continue to

promote BUE™ Businesses through the Internet. We will prepare and maintain an interior page to our site promoting or giving information about Your Franchised Business; (Franchise Agreement, Section 11.4)

8. maintain our Social Media sites and applications such as: Twitter, Facebook, LinkedIn and other sites and applications that we may establish. We do not allow You to establish or utilize Social Media sites or applications for business purposes except those created by us for your use. Further, any representations from You, or your employees regarding your profits or earnings made on any Social Media site or application, even if made from a personal Social Media account, is deemed a breach of Confidential Information under the Franchise Agreement, and You will be responsible for all costs including legal costs for any required fines or legal actions as a result of your postings; (Franchise Agreement, Section 11.4)

9. provide You with modifications to the Manual as they are made available to franchisees; (Franchise Agreement, Section 9.2)

10. provide You with modifications to the security and camera system procedures as needed; (Franchise Agreement, Section 9.2);

11. provide You administrative bookkeeping and accounting control procedures as needed; (Franchise Agreement, Sections 12.3 and 12.4) and

D. Advertising and Promotion

1. All advertising and promotions must be approved in writing by Us in advance. We have 30 day(s) to approve the submission. If we do not approve the advertising or promotions you submit within 30 day(s), they are deemed denied and you may not use them.

During every one (1) month period after the Franchised Business opens, You must spend at least Two Hundred Fifty Dollars and 00/100 (250.00) or Proven on local advertising in an effort to assist you to maintain the minimum sales requirements.

You may choose to spend whatever amount you determine best; however, at no time may you spend less than Two Hundred Fifty Dollars and 00/100 or Proven($250.00) towards your local advertising budget.(“Local Advertising”).

On the first Wednesday of each month or within ten (10) days after the end of each month, whichever occurs first, after the Franchised Business opens, You will furnish to us an accurate accounting of the expenditures on Local Advertising for the preceding one month period.(Franchise Agreement, Section 11.2 and 12.5)

We have developed a Territory-wide National Marketing Fund that You will be required to contribute to ("National Marketing Fund"). We have set the exact percentage that You must contribute to at Two percent (2%) of the previous weeks Gross Sales following the date the franchised business is open to the public. For the purposes of this section your first week counted will be the week of your Grand Opening.

We may adjust the percentage with thirty (30) days advance notice to You; but it can never be raised more than one percent (1%) per year. (Franchise Agreement, Section 11.2) We will administer the National Marketing Fund as follows:

(a) We will control the creative concepts and the materials and media to be used, and we will determine the placement and allocation of advertisements. We may use print, television, radio, Internet or other media for advertisements and promotions. We do not guarantee that any particular franchisee will benefit directly or in proportion to their contribution from the placement of advertising by the National Marketing Fund;

(b) We may use Your contributions to meet or reimburse us for any cost of producing, maintaining, administering (including costs of personnel), directing and conducting research and advertising (including the cost of preparing and conducting television, radio, billboard, Internet, video, video-streaming, digital signage, audio, magazine, newspaper and direct mail advertising campaigns, conventions and other public relations activities; developing and/or hosting an Internet web page of similar activities; employing advertising or public relations agencies to assist therein; and providing promotional brochures and other marketing materials to franchisees). We initially plan to conduct all advertising in-house, or we may use a national or regional marketing agency. We will maintain your contributions in a separate account from our other funds and we will not use them for any of our general operating expenses, except for our reasonable administrative costs and overhead related to the administration of the National Marketing Fund;

(c) We expect to use all contributions in the fiscal year they are made. We will use any interest or other earnings of the National Marketing Fund before we use current contributions. We intend for the National Marketing Fund to be perpetual, but we have the right to terminate it if necessary. We will not terminate the National Marketing Fund until all contributions and earnings have been used for advertising and promotional purposes or have been returned to our franchisees on a *pro rata* basis. Any funds not used in a particular fiscal year will rollover to the next fiscal year for use;

(d) All BUE™ Businesses owned by Us will make similar contributions to the National Marketing Fund as required of franchisees;

(e) We will have an accounting of the National Marketing Fund prepared each year and we will provide You with a copy if You request it. It is our intention to provide a copy each year at the annual convention and training seminar, discussed later in this Item. We may require that the annual accounting be audited by an independent certified public accountant at the National Marketing Fund's expense;

(f) The National Marketing Fund is not a trust and We assume no fiduciary duty in administering the National Marketing Fund; and

(g) We anticipate that the percentages of use for the National Marketing Fund will be 70% spent toward media and advertising production, 20% media placement on a national or regional basis, and around 10% of the National Marketing Fund for administrative expenses, and follow-through.

Although We are not obligated to do so, upon certain conditions as listed in the Franchise Agreement, we allow You to create a Cooperative Advertising program for the benefit of all BUE™ Businesses located in a particular region, including non-voting Franchisor owned unit(s) once there are 5 franchisees or more in the region. You may participate in any Cooperative Advertising program established in your region. If Cooperative Advertising is implemented in a particular region, You must participate in the Cooperative until your renewal period, at which time You may choose to opt out. You may establish an advertising council for franchisees in that region to self-administer the program. We do not have the power to require Cooperative Advertising programs to be created, dissolved or merged. We will require each Cooperative Advertising program to prepare periodic financial statements which are available for your review which will delineate the amount each franchisee will be required to contribute, which must be based upon a per location division, of a pro-rated portion of Gross Sales for the last three months split between all franchisees in the program, and specifically not based on a per company / owner division. (Franchise Agreement, Section 11.3)

During your Opening, You must spend at least Two Thousand Dollars And 00/100 ($2,000.00) on Grand Opening, including print or news media or direct mail advertising, dues for business organizations, event dues or other solicitation and promotional efforts. We will provide You with guidance for conducting Opening Advertising, and we will review and approve the materials You use in your Opening Advertising. "Opening" includes 30 days prior to opening your Franchise Business through 60 days after opening your Franchised Business to the public. (Franchise Agreement, Sections 11.1)

2. You must list the telephone number for the Franchised Business in your local telephone white pages directory. If You choose to advertise your Franchised Business in the "yellow pages" it must be in the category that we specify. You must place the listings together with other BUE™ Businesses operating within the distribution area of the directories. You must also list your business in or on Google Places, Facebook Ads, Print Ads, Radio Ads, and Bing and Google Adwords. All online or internet based requirements will be completed by our Marketing agency, You will be responsible for the costs associated with this online requirement. (Franchise Agreement, Section 11.5)

E. Computer/Software/Phone System

You must purchase, for use in your Franchised Business, the computer systems, equipment, and systems we require in the Manual(s). You must acquire, install, and maintain all required items that we require, which may change from time to time, within 30 days of written notice. (Franchise Agreement, Section 12.6)

You must purchase, for use in your Franchised Business at least one computers (placement will be discussed in the Manual(s)) with the specified software installed on them. We may require that you add additional, new or substitute software, replace or upgrade your computer systems and equipment, and enter into maintenance agreements with third parties. You must acquire, install, and maintain all required anti-virus and anti-spyware software as designated by us in addition to any email or internet usage policies that we require within 30 days of written notice. You are solely responsible for updating the manufacturer's software on each device and ensuring that each device is not running old versions of the software. (Franchise Agreement, Section 12.6)

There is currently only one approved point of sale system that you will use that satisfies our requirements. You must purchase the approved system through an approved supplier. You must purchase and install Silver, BUE version which will include the software and hardware required to operate your Franchised Business.

Presently, we require you to have QuickBooks accounting system. BUE has obtained a multi-user franchising direct agreement with Intuit, manufacture of QuickBooks, which you may purchase through BUE, at the specially prepared Intuit website for BUE franchisees. You will be responsible for any upgrades or updates to the system thereafter. Although we do not set the pricing, Intuit does. Currently the pricing for QuickBooks is $40 per month for the online version or a single payment of $139.96 for a 1 user QuickBooks Pro or $384.96 for a 3 User license. In addition, you must purchase the QuickBooks Learning CD if you do not currently use QuickBooks, which is currently $29.97 through BUE's Intuit website. We will have access to the accounting system through QuickBooks remote access to validate the revenue for royalties. (Franchise Agreement Section 3.6)

There is currently only one approved phone system that you will use that satisfies our requirements. You must purchase the approved system through Bottoms Up Holdings. You must have at least one phone dedicated to the business, with a publishable phone number. We reserve the right to act as collection agent for the phone system, and collect fees you owe. You must purchase and use only the authorized phone to operate your Franchised Business. We estimate that the BUE initial phone system will cost approximately $20 to $400 plus a monthly ongoing fee of approximately $49 depending upon the carrier and method chosen, and whether the phone is a land line or a VoIP phone. depending upon how many phones or phone lines you want.

There are other electronic components you must adhere to. All drivers must have and wear a Bluetooth headset. You must use and maintain all wireless camera systems we specify in the Manual(s).

We have the right to independently access all information collected or compiled by or in accordance with your use of the software or electronic components at any time without first notifying You. You must update or upgrade computer hardware or software as we deem necessary. (Franchise Agreement, Sections 12.6, and 12.7)

F. E-Problem Disclaimer

Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures and similar problems, and attacks by hackers and other unauthorized intruders (“E-Problems”). We have taken reasonable steps so that E-Problems will not materially affect our business. We do not guarantee that information or communication systems that we or others supply will not be vulnerable to E-Problems. It is your responsibility to protect yourself from E-Problems. You should also take reasonable steps to verify that your suppliers, third-party vendors, lenders, landlords, and governmental agencies on which You rely, have reasonable protection from E-Problems. This may include taking reasonable steps to secure your systems (including firewalls, password protection and anti-virus systems) and to provide backup systems. (Franchise Agreement, Section 12.6)

G. Operations Manual

We will loan to You, during the term of the Franchise Agreement, one copy of the Set of Manuals containing reasonable and mandatory specifications, standards, operating procedures and rules prescribed by us for BUE™ Businesses and information relative to Your other obligations and the operation of a BUE™ Business. You must maintain a current, updated copy of the Set of Manuals. If there are any disputes over the contents of the Manual, the terms of the master copy maintained at our headquarters will control. Our interpretations of the provisions of the Manuals are controlling, and You must abide by our interpretations. We will have the right to periodically add to and otherwise modify the Manuals to reflect changes in the specifications, standards, operating procedures and rules required by us for BUE™ Businesses, provided no addition or modification will materially change your fundamental status and rights under the Franchise Agreement or require You to spend unreasonable additional capital investment. (Franchise Agreement, Article 9)

The Table of Contents for the Manuals, as of the date of this Disclosure Document are as follows:

Manual	**Number of Pages**
Pre-Training Manual: Establishing Your Franchise Business	28
Operations Manual: Standards & Procedures	
Section A: Preface & Introduction	46
Section B: Personnel	70
Section C: Administrative Procedures	24
Section D: Daily Procedures	36
Post-Training Manual: Inventory & Vendors	11
Selling & Marketing Manual: How to Let the Public Know You are Open for Business	24
Total Number of Pages	**239**

We have a compilation of three (3) Manual(s) and materials that total 239 pages. Failure to follow the mandatory specifications, standards or operating procedures in the Manuals, as amended from time to time, may constitute a material breach of the Franchise Agreement. If such a material breach is not cured within thirty (30) days of receipt of the written notice from us of default, we may terminate the Franchise Agreement. (Franchise Agreement, Section 16.2)

H. Training

You will complete four levels of training, a pre-training text; the Initial Training text; the Soft Opening Training which shall be completed prior to opening to the general public; and the Grand Opening Program. You must complete the Pre-Training Program prior to coming to the Initial Training Program. Upon completion you will submit the test and other requested documents attached in the Preliminary Agreement notifying Us that you have completed the Pre-Training. You must successfully complete the Initial Training program (which you became eligible for after you successfully passed and submitted the Preliminary Agreement and a background check, credit check, requested Territory information, franchised business entity information, and a pre-training test consisting of information from the company's drink and managers manuals., We will conduct an Initial Training program, either online or in person at our option, of approximately 5 calendar day(s), that the Franchisee (which is You, if You are not a corporation or other business entity), and all District Manager(s), must attend and complete to our satisfaction. Although Initial Training is mandatory, You may bring additional trainees. Each additional trainee will be charged $1,000 per day, or $5,000 for the full 5 calendar day(s) of training. Training will take place at our headquarters location, online, or at another location or locations we designate. The Initial Training program covers all material aspects of the operation of a BUE™ Business, including such topics as: BUE mission and principles, appearance and customer service, safety and barista knowledge, store organization, equipment and supplies, and business set-up. All Trainees must complete initial training to our satisfaction. We expect franchisees will advance through the training program at different rates depending on a variety of factors such as background and experience. Accordingly, the time frames provided in the following chart are an estimate of the time it will take to complete training. If You replace your District Manager, your new District Manager must attend our training program. We do not charge for Initial Training, however, You must pay for all travel costs and living expenses for all your attendees. We reserve the right to charge You for the training of a new District Manager at the then daily rate. You are responsible for training your own employees and other management personnel. This Initial Training is in addition to the on-the-job assistance we provide to You. (Franchise Agreement, Article 8)

After initial training, you will register for the OnSite Training. The OnSite Training consists of five (5) calendar day(s)of onsite pre-opening and Soft Opening training for You and Your Staff. Immediately prior to the Soft Opening date, Franchisor shall provide five (5) days of pre-opening training, which shall ensure that all materials, equipment, preparations and staff are prepared for Soft Opening. Upon the completion of the Pre-Opening training, Franchisor and Franchisee shall Open the BUE Business to the invited soft opening individuals. Franchisor shall provide support to Franchisee through the Soft Opening Training program, which consists of two (2) additional days additional days of hands on training at the Franchisee's location. All travel room, board, and expenses for Franchisor trainers is Franchisee's responsibility. (Franchise Agreement 8.1)

After initial training and you have successfully completed the Soft Opening time period described in the Manual(s), you will register for the OnSite Grand Opening Training. The OnSite Grand Opening Training consists of two (2) business day(s) of onsite pre-opening and Grand Opening training for You and Your Staff. Immediately prior to the Grand Opening date, Franchisor shall provide five (5) days of pre-opening training, which shall ensure that all materials, equipment, preparations and staff are prepared for Grand Opening. Upon the completion of the Pre-Opening training, Franchisor and Franchisee shall Open the BUE Business to the public. Franchisor shall provide support to Franchisee through the Grand Opening Training program, which consists of two additional days of hands on training at the Franchisee's location. All travel room, board, and expenses for Franchisor trainer is Franchisee's responsibility. (Franchise Agreement 8.1)

TRAINING PROGRAM

	Subject [1]	**Hrs. of Training [1]**	**Hours of On-the-job Training**	**Location / Instructor(s) [3]**
	Pre-Training	40		Self-Study or online
	Orientation, Customer Service, Company Culture & Vision	3		
	Safety & Security	3		
	BUE Staff Hiring & Expectations	3		
		2		
		3		
		2		
	General Operations Review	1		
		3		
		2		
		5		
		1		
		1		
		2		
	Electronics Training	2		
	Billing and Payment Accounting	2		
	Vendor Relationships & Ordering	2		

	Subject [1]	Hrs. of Training [1]	Hours of On-the-job Training	Location / Instructor(s) [3]
	Recommended form review	1		
	Problem Solving	1		
	Review and Testing	2		
	Soft Opening Training		20	Your BUE
	Grand Opening		20	Your Location
	Total Training Hours	80	40	

1 Length of time spent on a subject and nature of subjects taught may vary depending upon an individual's experience and ability.

2 Training may not be necessary for the full time frame. The numbers of hours listed in this section also include hours spent training on site at the Franchisee's Business.

3 Training may be provided by Nathan Wilson, as well as other members of Franchisor's or an Affiliate's current staff. The above listed persons' qualifications are included in Item 2.

If circumstances require, a substitute trainer may provide training. We also reserve the right to name additional trainers periodically. There are no limits on our right to assign a substitute to provide training. We may use Your location as a training facility upon notice. If We elect to use Your Franchised Business for training others, We will provide to You, instead of paying You, which is to be considered payment in full, for use of the facilities: 1) the next quarter's Intranet Fee free of charge; and 2) the ability for You to enroll Your employees or contractors into the training class being taught by Franchisor free of all charges. There is no limit on the number of times during the Franchise Agreement that We can use Your Franchised Business.

Periodically, we may require the previously trained and experienced District Manager, your other managers and/or employees to attend refresher-training programs to be conducted at our headquarters or other locations we designate. Attendance at these programs will be at our expense; however, we will not require You to attend more than two of these programs in any calendar year and these programs will not collectively exceed ten days during any calendar year. (Franchise Agreement, Section 8.5)

ITEM 12 - TERRITORY

We will grant You a Protected Non-Exclusive Territory that will be delineated by a specific geographic boundary. The territory will be a minimum of 1 mile diameter around your BUE Business. We will also consider market considerations, and established the proximity to highway and freeway entrances, places that are heavy in commuter traffic, along the route of traffic flows, or similar business destinations that attracts large amounts of potential customers that are as determined by us in our sole discretion to establish your territory (the "Territory"). Upon entering into a lease, which has been approved by us with all applicable lease rider provisions we require, for the location of your BUE Business, a written description of your territory will be provided to us and will be inserted into the Franchise Agreement either prior to signing or as an addendum, depending upon the timing of the selection.

If You are in compliance with the Franchise Agreement during its term, you will have a First Right of Refusal to obtain or acquire additional franchise territories that are contiguous with your Territory. Once you are notified that the Territory is open or is desired by another franchisee or franchisee prospect, You will have Five business days to notify us whether you want to exercise your

First Right to obtain the Territory. If you chose to add that Territory, You will have 7 business days to exercise your right of first refusal (in writing, to Us) for that location, and 60 days total to submit a location proposal for that Territory, all other timelines would be pursuant to the then-current Franchise Agreement.

If You are in compliance with the Franchise Agreement during its term, we will not establish more BUE™ Businesses or any substantially similar franchised or company-owned businesses in your Territory ("Territory"). However, we have the right to: (a) establish, own or operate, or continue to own or operate, and license others to establish, own or operate, or continue to own or operate BUE™ Businesses outside of the Territory; (b) establish, own or operate, and license others to establish, own or operate, or continue to own or operate, other businesses under other systems using other trademarks at locations inside or outside of the Territory; (c) purchase or acquire the assets or controlling ownership of one or more businesses identical or similar to the Franchised Business (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Territory; (d) be acquired by any business, even if the other business operates, franchises and/or licenses Competitive Businesses within the Territory; (e) provide the services and sell any products authorized for BUE™ Businesses using the Marks or other trademarks and commercial symbols through alternate channels of distribution, such as joint marketing with partner companies, within non-traditional locations and Internet sales and catalog sales, but we will not make any sales to Competitive Businesses inside of the Territory; and/or (f) engage in any other activities not expressly prohibited in the Franchise Agreement.

The continued right of your Territory does depend on your Gross Sales volume. You must maintain at least Thirty-Five Thousand Dollars and 00/100 ($35,000.00) after the first year you are in operation and achieve a five percent (5%) growth increase per annum thereafter. We have the right to increase the minimum requirements at any time with notice. If You do not maintain the minimum Gross Sales standards it will be grounds for a Notice of Termination with 90 days right to cure. We cannot change the Territory without your consent. (Franchise Agreement, Sections 2.5, 2.6 and 2.7)

You may not relocate the Franchised Business without Our prior written consent. If the lease for the Approved Location expires or terminates through no fault of You or if the Franchised Business's premises is destroyed, condemned or otherwise rendered unusable or as otherwise may be agreed upon in writing by both You and Us, We may allow You to relocate the Franchised Business. Any such relocation will be at Your sole expense, and must follow the requirements of Section 5.8 of the Franchise Agreement including all timeframes. There may need to be modifications by Us, to reflect the new circumstances. We have the right to charge You for any costs incurred by Us in providing assistance to You, including, legal and accounting fees. Otherwise, We have no obligation to provide relocation assistance. If we do not approve of any relocation site, the Franchise Agreement and Territory would revert to Us.

ITEM 13 - TRADEMARKS

Registrations and Applications

We grant our Franchisees the right to operate BUE™ Businesses under the name "Bottoms Up Espresso" which is the principal Mark used to identify our System. You may also use any other current or future Mark to operate your Franchised Business that we designate in writing, including the logo on the front of this Disclosure Document and the trademarks listed below. By "Mark", we mean any trade name, trademark, service mark or logo used to identify BUE™ Businesses. As of the date of this Disclosure Document, our Affiliate, Bottoms Up Holdings, LLC has filed the registration, and all required Affidavits for the following Marks on the Principal Register of the U.S. Patent and Trademark Office ("USPTO"):

Mark	Register	Registration Number	Filing Date
Bottoms Up Espresso	Principal	4554755	July 15, 2013
	Principal	5148856	July 1, 2015
Good Coffee Is Sexy	Principal	87584255 (Serial Number)	August 25, 2017 (Filing Date)

Our Affiliate, Bottoms Up Holdings, LLC, has granted us a license to use and sublicense to use the above-mentioned Marks, dated June 25, 2014. The term of the license is for 99 years. The license agreement may be terminated if we take any affirmative act of insolvency, if a receiver or trustee is appointed to take possession of our properties and is not discharged within 90 days, if we wind up, sell, consolidate or merge our business, or if we breach any of our duties and obligations under the license and do not cure the breach within 60 days following written notice of the breach. Within the license agreement, the term "Marks" includes any other trade names, service marks, trademarks, designs, logos, slogans and commercial symbols now in existence or later adopted by Bottoms Up Holdings, LLC that are used in connection with the System. This license agreement licensed to us any future trademarks acquired by Bottoms Up Holdings, LLC as well. In the event that Bottoms Up Holdings terminates our Agreement with them, they must honor all Franchisees sublicense agreements, including the right to renew.

Proceedings

We know of no currently effective material determinations of the USPTO, trademark trial and appeal board, the trademark administrator of this state or any court; pending infringement, opposition or cancellation; or pending material litigation involving the Marks.

Agreements

Except as stated above, there are no agreements currently in effect that significantly limit our rights to use or to license the use of the Marks in any manner material to the franchise.

Infringing Uses

We know of no infringing or prior superior uses that could materially affect the use of the Marks in this State or any other state in which the Franchised Business is to be located.

Your Rights and Obligations with Respect to the Proprietary Property Including the Proprietary Mark

All usage of the Marks by You and any goodwill established through your use will exclusively benefit us. You will not receive any rights to the Marks other than the nonexclusive right to use them in the operation of your Franchised Business. You may only use the Marks in accordance with our standards, operating procedures and specifications. Any unauthorized use of the Marks by You is a breach of the Franchise Agreement and an infringement of Our rights in the Marks. You may not contest the validity or ownership of the Marks, including any Marks that we license to You after You sign the Franchise Agreement. You may not assist any other person in contesting the validity or ownership of the Marks.

We will protect You against claims of infringement or unfair competition arising from your use of any Marks provided (a) You immediately notify us of any apparent infringement of, or challenge or claim to Your use of any Marks, (b) You are in complete compliance with Your Franchise Agreement;

You allow us to take whatever action we deem appropriate in these situations. This means we have exclusive control over any settlement or proceeding concerning any Mark; and (d) You agree to be a witness in any legal, mediation, or arbitration proceeding on our behalf. You must take any actions that,in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks. You may not communicate with any person other than us and our counsel regarding any infringements, challenges or claims, however, You may communicate with your own counsel at your own expense.

You must use the Marks as the sole trade identification of the Franchised Business; however, You may not use any Mark or part of any Mark as part of your business entity name in any modified form. You may not use any Mark in connection with the sale of any unauthorized products or services, or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law.

You must notify us in writing before applying for your own trademark or service mark registrations, whether state or federal. You must not register or seek to register as a trademark or service mark, either with the USPTO or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any of our Marks.

You may not advertise on the Internet using, or establish, create or operate an Internet site or website using any domain name containing, the words ”BUE” or any variation thereof without our prior written consent.

We have the sole right to maintain Social Media sites and applications such as: Twitter, Facebook, LinkedIn, Pinterest and other sites and applications that we may establish. We do not allow You to establish or utilize Social Media sites or applications for business purposes, without our express written permission, and then only by using preapproved materials or campaigns. You and your employees do not have the right to utilize the Marks listed in this disclosure document, on any Social Media sites or applications, even if made from a personal Social Media account. Further, any representations from You, or your employees regarding your profits or earnings made on any Social Media site or application, even if made from a personal Social Media account, are deemed a breach of Confidential Information under the Franchise Agreement.

The Development Agreement does not grant the right to use the Marks or the right to license others to use the Marks. Use of the Marks is granted only under the Franchise Agreement.

Indemnification of You

We will reimburse You for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if You notify us of the proceeding in a timely manner and You have complied with our directions with regard to such proceeding. We have the right to control the defense and settlement of any such proceeding. We will not reimburse You for your expenses and legal fees for separate, independent legal counsel or for any expenses in removing signage or discontinuing your use of any Mark. We will not reimburse You in connection with disputes where we challenge Your use of a Mark.

Modification

We can require You to modify or discontinue the use of any Mark and/or to use other trademarks or service marks. If we adopt and use new or modified Marks, You may be required to add or replace supplies, signs and fixtures, and You may have to make other modifications as necessary to maintain uniformity with our current standards and specifications; however, You will not be required to spend more than your initial investment during the initial term of the Franchise Agreement. We will not be required to reimburse You for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. We are not obligated to reimburse You for any loss of goodwill associated with a modified or discontinued Mark.

ITEM 14 - PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Under the Franchise Agreement, You agree not to contest, directly or indirectly, our ownership, title, right or interest in our common law rights, copyrights, Trade Dress, Trade Secrets, Confidential Information, the System, methods, procedures or any other intellectual property rights that are part of our System or contest our sole right to register, use or license others to use (except as limited by the Franchise Agreement) the common law rights, copyrights, Trade Dress, Trade Secrets, Confidential Information, the System, methods, procedures or any other intellectual property rights that are part of our System.

Patents

We do not possess any patents relative to this system.

Copyrights

We own copyrights in the Manual, our curriculums, our website, and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not and are not required to register these copyrights with the United States Registrar of Copyrights. You must use these items only as we specify while operating the Franchised Business and You must stop using these items if we direct You to do so. You may not duplicate or disclose any portion of the Manual in an unauthorized manner. Further, all information is proprietary and the Franchise Agreement and the Development Agreement require You to keep such information confidential.

Proceedings

We know of no currently effective determinations of the U.S. Copyright Office or any court regarding any of our copyrighted materials. Except as stated above, our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

Confidential Information

We have developed certain Trade Secrets and other Confidential Information, including methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in, operating a BUE™ Business. We will provide our Trade Secrets and other Confidential Information to You during training, in the Manual and as a result of the assistance we furnish You during the term of the franchise. You may only use the Trade Secrets and other Confidential Information for the purpose of operating your Franchised Business. You may only divulge Trade Secrets and other Confidential Information to employees who must have access to it in order to operate the Franchised Business. You are responsible for enforcing the confidentiality provisions as to your employees.

Certain individuals with access to Trade Secrets or other Confidential Information, including the owners, directors and any managers of the business (and members of their immediate families and collaterals), are required to sign nondisclosure and non-competition agreements in a form the same as or similar to the Non-Disclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the independent right to enforce the agreements.

Proprietary Information

Our Affiliate, Bottoms Up Holdings, LLC, has granted us a license, dated June 25, 2014, to use and sublicense for the use of its domain name www.bottomsupespresso.com. The term of the license is for 99 years; however, the license agreement may be terminated if we take any affirmative act of insolvency, if a receiver or trustee is appointed to take possession of our properties and is not discharged within 90 days, if we wind up, sell, consolidate or merge our business, or if we breach any of our duties and obligations under the license and do not cure the breach within 60 days following written notice of the breach. You will have continued right to the proprietary information even if we our terminated.

We have the sole right to maintain Social Media sites and applications such as: Twitter, Facebook, Pinterest, LinkedIn and other sites and applications that we may establish. We do not allow You to establish or utilize Social Media sites or applications for business purposes. You and your employees do not have the right to utilize any of the Trade Secrets and Confidential Information stated above, or the common law copyrighted materials including the guidelines, curriculums, classes, management and business training, community building mechanisms, vision statements, books, signage, promotional materials, Manual, training materials, Franchise Agreements, and any other documents, materials and items for the general ambiance and decor used in the operation of the System and the BUE™ Businesses on any Social Media sites or applications, even if made from a personal Social Media account. Further, any representations from You, or your employees regarding your profits or earnings made on any Social Media site or application, even if made from a personal Social Media account, is deemed a breach of Confidential Information under the Franchise Agreement, and You will be responsible for indemnifying and reimbursing us all legal, penalties, fines, and court costs associated with your unauthorized representations.

All ideas, concepts, techniques or materials concerning the Franchised Business, whether or not protectable intellectual property and whether created by or for You or your owners or employees, must be promptly disclosed to us and will be deemed our sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other Franchisees. Likewise, we will disclose to You concepts and developments of other Franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

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

The Franchised Business must always be under the direct supervision of a Designated District Manager, which can be You. During your first year of operation, you, if you are an individual, or one of your shareholders or partners, must devote their personal attention to the full time, day-to-day operation of the Franchised Business unless pre-approved by Us in writing. After your first year of operation, you may employ a District Manager responsible for running the Franchised Business on a full time basis. The Designated District Manager must be the person You designate in writing (and approved by us in writing) and have primary responsibility for managing the day-to-day affairs of the Franchised Business.

Unless we otherwise agree in writing, You must be one of the Trainees. You must keep us informed of the identity of your current Designated District Manager. The District Manager must devote his or her best efforts to the management and operation of your BUE Franchise. After your first year of operation, You may hire any District Manager acceptable to us rather than be the District Manager but this will increase the cost of operation of your BUE Franchise and may impair results. Any replacement or additional District Managers that You hire must complete the Initial Training class before taking their position within your BUE Franchise, unless we otherwise agree in writing. You are responsible for the expenses of additional Training, including tuition, travel, lodging, meals and salary. All of your employees must be legal citizens of the United States of America and be able to provide documentation of such. All District Managers and supervisory associates must sign a Confidentiality Agreement which prohibits them from disclosing proprietary information related to the Franchise, or the System, as described in Item 14, and contains covenants not to compete during and after employment for a period of two years, as described in Item 17. The District Managers, (including their collaterals) must not have an interest or business relationship with any of BUE's competitors. Your District Managers must sign our form of Non-Disclosure and Non-competition Agreement before You grant access to the Manuals or any other Confidential Information. Additionally, in keeping with our culture and our BUE Vision, all of your employees must conform to the dress code, if applicable, which includes that they: may not have any decorative facial tattoos, or offensive tattoos, no facial piercings, no unnatural colored hair dye, cannot smoke while in a uniform, and must be substance-free and willing to comply with the dress code and any required background checks or non-disclosure and non-compete provisions contained in the Franchise Agreement Exhibits and in the Manual(s).

If You are a business entity, anyone who owns a 5% or greater interest in the entity must personally guarantee the performance of all of your obligations under the Franchise Agreement and Development Agreement and agree to be personally liable for your breach of the Franchise Agreement and Development Agreement by signing the Guaranty and Assumption of Obligations attached to each agreement.

You are not our employee but are your own boss subject to our rights under your Franchise Agreement. We require You to be active in the operation of your BUE Franchise. We do not require any personal participation of any specific person affiliated with a corporate or partnership Franchisee. You agree that your Franchise is not a "passive" investment but requires You or your District Manager's day-to-day supervision of the operation of your BUE Franchise.

ITEM 16 - RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer the services, and products we specify periodically in strict accordance with our standards and specifications. You may not sell any services, classes or products that we have not authorized in writing and You must discontinue offering any services, classes or products that we may disapprove. BUE may modify any of its specifications, standards, or requirements as and when it deems necessary and You must promptly modify your operation or product lines accordingly. There are no limits on our right to do so. If we modify the System, You may be required to add or replace equipment, supplies, signs and fixtures, and You may have to make improvements or modifications as necessary to maintain uniformity with our current standards and specifications. Additionally, we may require You to refurbish the Franchised Business once every seven (7) years.

In addition, You must keep the Franchise Business open for the hours specified by the lease where your Business is located, if applicable, and may not use the Franchised Business premises for any purpose other than the operation of a Franchised Business according to our requirements, and may only advertise through BUE-approved media.

You must promote, offer, sell and dispense all products and services required by us as part of the System. You must accommodate all religion requirements, and at all times be non-discriminatory. You must not engage in any activity, conduct or practice that is contrary to Our or Your best interest, or that is reasonably anticipated to result in litigation with suppliers or residential consumers of Your Franchised Business, or in public criticism of BUE or your Franchised Business generally.

Periodically, we may allow certain services or products that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based upon such factors as we determine, including test marketing for the purpose of customer or operational feedback or evaluation, your qualifications, and regional or local differences. Neither You nor we have any rights to charge, offer or sell any product or service above a twenty percent (20%) mark-up of the then-suggested retail pricing, as published in the Manual(s). Additionally, You will be required to honor all pricing published in national advertising for products and services.

You may recommend other suppliers than are on our approved list. We will evaluate your recommended suppliers to determine if their products meet our specifications and requirements.

ITEM 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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.

THE FRANCHISE RELATIONSHIP		
Provision	**Section In the Franchise Agreement**	**Summary**
a. Length of the term of the franchise	Section 4.1	The initial term is 10 years.
b. Renewal or extension of the term	Section 4.2	You may renew your Franchise Agreement for an additional term of 10 years, subject to (c) below. If You fail to meet any one of these conditions, we may refuse to renew or extend the terms of your Franchise Agreement. Some items in the renewal Franchise Agreement may be different.
c. Requirements for You to renew or extend	Section 4.2	You may renew the Franchise Agreement if You: have fully complied with the provisions of the Franchise Agreement and have cured any Notices of Default; have the right to maintain possession of the Approved Location or an approved substitute location for the term of the renewal; have made capital expenditures as necessary to maintain uniformity with the System; have satisfied all monetary obligations owed to us; paid the renewal fee, currently $5,000.00; are not in default of any provision of the Franchise Agreement or any other agreement between You and Us; have given timely written notice of your intent to renew; are in good standing with all certifications; sign a then-current Franchise Agreement; comply with current qualifications and training requirements; complete a background screening; provide proof that all certifications are up to date; and sign a general release in a form the same as or similar to the General Release attached to the Franchise Agreement.
d. Termination by You	Section 16.1	You may terminate the Franchise Agreement if You are in compliance with it and we materially breach it and we fail to begin to cure our breach within 30 days of receiving your written notice.
e. Termination by Us without cause	Not Applicable	
f. Termination by Us with cause	Section 16.2	We may terminate the Franchise Agreement only if You default.

THE FRANCHISE RELATIONSHIP		
Provision	**Section In the Franchise Agreement**	**Summary**
g. "Cause" defined- curable defaults	Section 16.2	You can avoid termination of the Franchise Agreement if You cure a default arising from: deleterious conduct, or noncompliance with a law or regulation, which you fail to cure within 24 hours, or your failure to comply with mandatory specifications in the Franchise Agreement or Manual within 30 days of receiving our notice of termination or if You cure a default arising from your failure to make payments due us within 15 days of receiving our notice of termination, or if You cure a default arising from your failure to achieve performance standards within 90 days of receiving our notice of termination; Loss of License or Certificate and fail to cure within 30 days; a background check, credit check, requested Territory information, franchised business entity information, and a pre-training test consisting of information from the company's drink and managers manuals., with a 24 hour right to cure; Failure to complete training within 90 days of the date of the Franchise Agreement; Failure to begin operations within 90 days if leasing, or 120 days if building your location, from the date of the Franchise Agreement. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate.
h. "Cause" defined- defaults that cannot be cured	Section 5.5, 16.2	We have the right to terminate the Franchise Agreement without giving You an opportunity to cure if You: fail to pay the Initial Fee; attempts or surrenders or transfers control of the operations of the Franchise Business without prior approval; misuses or makes an unauthorized use of any of the Marks, or commits any other act which impairs the goodwill of any of the Marks; negatively communicates or impacts the Franchise system to any current or prospective franchisee, outside of Franchisor sponsored forums; defaults on any lease necessary to run the Franchised business; fail to have your District Manager satisfactorily complete training; abandonment of your BUE business for more than 24 hours; made a material misrepresentation or omission in the application for the Franchise or any other communication to Us; are convicted of or plead no contest to a crime or offense that would likely to affect the reputation of either party or the

THE FRANCHISE RELATIONSHIP		
Provision	**Section In the Franchise Agreement**	**Summary**
		Franchised Business, including specifically, but not limited to, crime or offense that would place them on the sex offenders registry, Sexual Harassment, or Inappropriate Sexual Behavior with an employee, teacher or student, DUI/DWI's, Crimes involving physical harm to a human; (Note if a You are charged with a Felony charge against a Child or Senior, you will be placed on suspension and cannot enter the BUE business until cleared of all charges associated with that crime); use the Manual, Confidential Information or the Marks in an unauthorized manner; surrender or transfer of control of the Franchised Business in an unauthorized manner; is found to have stolen from any customer; fail to maintain the Franchised Business under the primary supervision of a District Manager if You die or become disabled; submit reports to Franchisor on 2 or more separate occasions understating any amounts due by more than 2%; are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; misuse or make unauthorized use of the Marks; fail on 2 or more occasions within any 4 weeks to submit reports or records or to pay any fees due us or any Affiliate; receive 3 or more default notices within three years; continue to violate any health, safety or other laws or conduct the Franchised Business in a manner creating a health or safety hazard to customers, employees or the public; take any action reserved to us; fail to comply with applicable law after notice; repeatedly breach the Franchise Agreement or comply with specifications; or default under any other agreement between You and us (or an Affiliate) such that we (or the Affiliate) have the right to terminate the agreement. Termination of a Franchise Agreement will not automatically result in the termination of your other Franchise Agreements then in-effect between us unless the same material breach constitutes a breach of the other Franchise Agreement and we take separate steps to termination the Franchise Agreement.
i. Your obligations on termination/non-renewal	Section 17.1	If the Franchise Agreement is terminated or not renewed, You must: stop operating the Franchised Business; stop using any Confidential Information, the System and the

THE FRANCHISE RELATIONSHIP		
Provision	**Section In the Franchise Agreement**	**Summary**
		Marks; if requested, assign your interest in the Approved Location to us; cancel or assign to us any assumed names; pay all sums owed to us including damages, liquidated damages and costs incurred in enforcing the Franchise Agreement; return the Manual(s) and all other Confidential Information; assign your telephone and facsimile numbers for the Franchised Business to us; comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement.
j. Assignment of contract by Us	Section 18.1	There are no restrictions on our right to assign our interest in the Franchise Agreement.
k. "Transfer" by You- definition	Section 18.2	"Transfer" includes transfer of an interest in the Franchise, the Franchise Agreement, the Approved Location, the Franchised Business's assets or the Franchisee entity.
l. Our approval of transfer by You	Section 18.2	Except for transfers among spouses, You may not transfer your interest in any of the items listed in (k) above without our prior written consent.
m. Conditions for Our approval of transfer[1]	Section 18.2	We will consent to a transfer if: we have not exercised our right of first refusal; all obligations owed to us are paid; You and the Transferee have signed a general release in a form the same as or similar to the General Release attached to the Franchise Agreement; the prospective Transferee meets our business and financial standards; the Transferee and all persons owning any interest in the Transferee sign the then current Franchise Agreement; You provide us with a copy of all contracts and agreements related to the transfer; You or the Transferee pay the transfer fee applicable at the time you notice us you want to transfer; the Transferee or the owners of Transferee have agreed to be personally bound by all provisions of the Franchise Agreement; You have agreed to guarantee performance by the Transferee, if requested by us; the Transferee has obtained all necessary consents and approvals of third parties; You or all of your equity owners have signed a non-competition agreement in a form the same as or similar to the Non-Disclosure and Non-Competition Agreement attached to the Franchise Agreement; and the Transferee has agreed that its District Manager will complete the initial training program and pay the transfer

THE FRANCHISE RELATIONSHIP		
Provision	**Section In the Franchise Agreement**	**Summary**
		training fee before assuming management of the Franchised Business.
n. Our right of first refusal to acquire Your Franchised Business	Article 19	We may match an offer for your Franchised Business or an ownership interest You propose to sell, based upon our determination of the Value.
o. Our option to purchase Your Franchised Business	Section 17.4	Except as described in (n) above, we do not have the right to purchase your Franchised Business; however, during the 30-day period after the termination or expiration of the Franchise Agreement, we have the right to purchase any assets of the Franchised Business for book value.
p. Death or disability	Section 16.2 and 18.6	After a death or incapacity of one of your owners, his or her representative must transfer, subject to the terms of the Franchise Agreement, the owner's interest in the Franchised Business or in the entity owning the interest in the Franchised Business within 6 months of death or incapacity or we may terminate the Franchise Agreement. If we deem it necessary, we may take over the operation of the Franchised Business until the deceased or incapacitated owner's interest is transferred, and we may charge a fee of $2,500 per day for this service and be entitled to reimbursement of expenses.
q. Non-competition covenants during the term of the franchise	Section 7.3 and 7.4	You, your owners (and members of their families and collaterals) and your officers, directors, executives, managers, and employees are prohibited from: attempting to divert any customer, employee or other business associate of ours, the Franchised Business, our Affiliate(s) or any other franchisee to a Competitive Business, or soliciting or attempting to induce any customer, employee or other business associate of ours, the Franchised Business, our Affiliate(s) or any other franchisee to terminate or modify their business relationship with us, the Franchised Business, our Affiliate(s) or any other franchisee or causing injury or prejudice to the Marks or the System; owning or working for a Competitive Business.
r. Non-competition covenants after the franchise is terminated or expires	Section 17.2	For 3 years after the termination or expiration of the Franchise Agreement, You, your owners (and members of their families and collaterals) and your officers, directors, executives or

THE FRANCHISE RELATIONSHIP		
Provision	**Section In the Franchise Agreement**	**Summary**
		managers are prohibited from: owning or working for a Competitive Business operating within twenty (20) miles of the Approved Location or within the Protected Non-Exclusive Territory (whichever is greater), and within twenty (20) miles of any other BUE™ Businesses; or soliciting or influencing any consumers, employees or business associates of ours, our Affiliate(s) or any other franchisee to terminate or modify their business relationship with us, our Affiliate(s) or any other franchisee.
s. Modification of the agreement	Sections 9.2 and 22.6	The Franchise Agreement can be modified only by written agreement between You and us. We may modify the Manual without your consent if the modification does not materially alter your fundamental rights.
t. Integration/merger clause	Section 22.6	Only the terms of the Franchise Agreement and requirements within the Manual are binding. Any other promises may not be enforceable.
u. Dispute resolution by mediation	Section 23.7	We do require mediation. Except for actions or claims for injunctive relief or specific performance or relating to the Marks, Trade Secrets or Confidential Information, all disputes must be mediated in Sacramento County, CA a minimum of three (3) times before either party can file suit.
v. Choice of forum	Section 23.2	Claims for injunctive relief or specific performance may be brought by us where You are located. All litigation must be filed in Sacramento County, CA.
w. Choice of law	Section 23.1	Nevada law applies, unless voided by your state (see State Addendums attached), except that disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.).
x. Liquidated Damages	Section 17.9	If You default on your Franchise Agreement, You must pay the monthly average (based on the previous 12 months royalty fees) for either a) 24 months or b) the remaining term of your Agreement, whichever is less, as a liquidated damage.

ITEM 18 - PUBLIC FIGURES

We have no public figures within the BUE Franchising, LLC Franchise System at the time of this Disclosure Document.

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 any franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in this 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.

Sales Assumptions

- The sales figures reflected below are based upon the Gross Sales achievable by the founders' corporate businesses for the last four years, 2015, 2016 and 2017 and 2018.
- A total of 3 locations are reflected below.
- In 2018 the Prescott, Tracy and Vernalis locations were taken over by a franchisee. Gross Sales figures for 2018 are included for those locations with no expenses.
- The corporate location utilizes 1 location manager working crews whenever the need arises to handle the customers in a particular geographical area.
- A typical customer order ranges from $2 to $25 for coffee orders and $5 to $40 when food is also ordered.
- The typical customer orders shown above do not include any merchandise purchases, which are a relatively recent addition to the BUE sales. Merchandise has also been added to the website and will be available for all franchisee sales. Clothing pricing ranges from $15 to $30 per piece for the T-shirts, Apparel, Hats, and Outwear (Hoodies) The Stickers, Decals and Embroidered Patches range from $1.50 to $8.00 per item. While by far the most popular merchandise is the Bottoms Up Annual Calendar that showcases the customer's favorite girls each year, which currently costs $20.00.

Expense Assumptions

Only those expenses that affect every franchisee and those required by the Franchise Agreement are reflected in the tables below. These include:

- The Weekly Royalty Fee of 6% of Gross Sales;
- The National Marketing Fund of 2% of Gross Sales (which does not begin until the 13th month the business is open to the public);
- The Local Advertising Expenditures of the minimum of $250 per month;
- The Intranet Fee of $20 per week;
- The Software and Development Fee of $29 per week;
- Business Insurances, including the General Liability, Workers Compensation and over all General Business Insurance; and
- Services fees such as Janitorial, Laundry and Utilities; and
- Payroll Expenses, excluding any owner salaries, which vary greatly between individuals.

For 2016 and 2017, we included the Royalty expense and Marketing Fund expense of 2%.

[The rest of this page was intentionally left blank]

The below numbers reflect the actual historical number of Finalized Sales accomplished by our locations in 2015, 2016, 2017 and 2018.

Bottom's Up Espresso - Clovis
Profit & Loss
2015

		2015	
Gross Sales		**$ Amount**	**% of Sales**
Income			
Merchandise	$	-	0.00%
Food Sales (Tax Included)	$	198,607.31	100.00%
Miscellaneous Income	$	-	0.00%
Uncategorized Income	$	-	0.00%
Total Income	$	198,607.31	100.00%
Cost of Goods Sold			
Food Purchases	$	63,669.42	32.06%
Merchandise	$	252.66	0.13%
Restaurant Supplies	$	249.99	0.13%
Total COGS	$	64,172.07	32.31%
Total Gross Sales	$	134,435.24	67.69%
Fixed Expenditures			
Rent	$	12,000.00	6.04%
Insurance Expense	$	135.36	0.07%
Business Licenses and Permits	$	384.78	0.19%
General Liability Insurance	$	1,140.90	0.57%
Worker's Compensation	$	2,833.19	1.43%
Janitorial Expense	$	993.38	0.50%
Laundry	$	609.54	0.31%
Payroll Expense	$	1,243.00	0.63%
Payroll Taxes	$	11,651.68	5.87%
Payroll Wages	$	54,521.43	27.45%
Utilities	$	9,048.62	4.56%
Store Fixed Expenses	$	94,561.88	47.61%
If a Franchisee Store - Franchisee Fees			
Royalty Fees	$	11,916.44	6.00%
Nat'l/Regional Advertising	$	3,972.15	2.00%
Local Advertising (Proven)	$	2,750.00	1.38%

Grand Opening Advertising	$	2,000.00	1.01%
Internet Fee	$	880.00	0.44%
Software and Development Fee	$	1,276.00	0.64%
Total Fixed Expenses w/ Franchisee Fees	$	117,356.46	59.09%
Gross Net Sales	$	17,078.78	8.60%

Bottoms Up Espresso - Clovis

Profit and Loss

January - December 2016

Gross Sales	$ Amount	% of Sales
Food Sales (Tax Included)	218,290.23	
Total Income	$218,290.23	100%
Cost of Goods Sold		
Food Purchases	77,372.97	
Cost of Goods Sold	$77,372.97	35%
Total Gross Sales	$140,917.26	65%
Fixed Expenditures		
Business Licenses and Permits	735.00	0.34%
Rent Expense	12,000.00	5.50%
General Liability Insurance	1,469.92	0.67%
Worker's Compensation	4,089.35	1.87%
Janitorial Expense	2,719.00	1.25%
Wages Expenses	55,677.53	25.51%
Employer Payroll Taxes	7,538.36	3.45%
Payroll Processing Fees	751.87	0.34%
Utilities	8,165.85	3.74%
Store Fixed Expenses	$93,146.88	42.67%
Royalty Fees	12,102.48	5.54%
Marketing Fund	4,365.00	2.00%
Total Fixed Expenses w/Franchise Fees	$105,249.36	48.22%
Gross Net Sales	35,667.90	16.34%

Bottoms Up Espresso - Clovis
Profit and Loss
January - December 2017

Gross Sales	$ Amount	% of Sales
Food Sales (Tax Excluded)	218,343.62	
Total Income	$218,343.62	100%
Cost of Goods Sold		
Food Purchases	79,868.52	
Cost of Goods Sold	$79,868.52	37%
Total Gross Sales	$138,475.10	63%
Fixed Expenditures		
Business Licenses and Permits	184.00	0.08%
Rent Expense	12,000.00	5.50%
General Liability Insurance	1,371.41	0.63%
Worker's Compensation	4,363.82	2.00%
Janitorial Expense	3,082.33	1.41%
Wages Expenses	56,764.32	26.00%
Employer Payroll Taxes	8,570.00	3.93%
Payroll Processing Fees	1,176.11	0.54%
Utilities	7,544.20	3.46%
Store Fixed Expenses	$95,056.19	43.54%
Royality Fees	13,057.75	5.98%
Marketing Fund	4,366.87	2.00%
Total Fixed Espenses w/Franchise Fees	$108,113.94	49.52%
Gross Net Sales	30,361.16	13.91%

Bottoms Up Espresso - Clovis
Profit and Loss
January - December 2018

Gross Sales	$ Amount	% of Sales
Food Sales (Tax Excluded)	222,331.75	
Total Income	$222,331.75	100%

Cost of Goods Sold		
Food Purchases	75,191.63	
Cost of Goods Sold	$75,191.63	34%
Total Gross Sales	$147,140.12	66%
Fixed Expenditures		
Business Licenses and Permits	729.00	0.33%
Rent Expense	12,000.00	5.40%
General Liability Insurance	1,551.27	0.70%
Worker's Compensation	1,715.58	0.77%
Janitorial Expense	1,786.89	0.80%
Wages Expenses	62,400.18	28.07%
Employer Payroll Taxes	10,024.50	4.51%
Payroll Processing Fees	1,481.72	0.67%
Utilities	8,318.41	3.74%
Store Fixed Expenses	$100,007.55	44.98%
Royality Fees	13,515.30	6.08%
Marketing Fund	4,366.87	1.96%
Total Fixed Espenses w/Franchise Fees	$113,522.85	51.06%
Gross Net Sales	33,617.27	15.12%

Bottom's Up Espresso - Bakersfield

Profit & Loss

2015

	2015	
Gross Sales	**$ Amount**	**% of Sales**
Income		
Merchandise	$ -	0.00%
Food Sales (Tax Included)	$ 252,441.99	100.00%
Miscellaneous Income		0.00%
Uncategorized Income	$ -	0.00%
Total Income	$ 252,441.99	
Cost of Goods Sold		
Food Purchases	$ 89,042.01	35.27%
Merchandise	$ 252.66	0.10%

Restaurant Supplies	$	334.90	0.13%
Total COGS	$	89,629.57	35.51%
Total Gross Sales	$	162,812.42	64.49%

Fixed Expenditures			
Rent	$	13,400.00	5.31%
Insurance Expense	$	382.37	0.15%
Business Licenses and Permits	$	405.00	0.16%
General Liability Insurance	$	893.78	0.35%
Worker's Compensation	$	2,874.62	1.14%
Janitorial Expense	$	1,104.77	0.44%
Laundry	$	599.16	0.24%
Payroll Expense	$	1,243.23	0.49%
Payroll Taxes	$	13,985.79	5.54%
Payroll Wages	$	65,636.47	26.00%
Utilities	$	4,401.25	1.74%
Store Fixed Expenses	$	104,926.44	41.56%
If a Franchisee Store - Franchisee Fees			
Royalty Fees	$	15,146.52	6.00%
Nat'l/Regional Advertising	$	5,048.84	2.00%
Local Advertising (Proven)	$	1,750.00	0.69%
Grand Opening Advertising	$	5,000.00	0.22%
Internet Fee	$	560.00	0.22%
Software and Development Fee	$	812.00	0.32%
Total Fixed Expenses w/ Franchisee Fees	$	133,243.80	52.78%
Gross Net Sales	$	29,568.62	11.71%

Bottoms Up Espresso - Bakersfield

Profit and Loss

January - December 2016

Gross Sales	$ Amount	% of Sales
Food Sales (Tax Included)	265,403.56	
Total Income	$265,403.56	100%
Cost of Goods Sold		
Food Purchases	77,372.97	

Cost of Goods Sold	$77,372.97	29%
Total Gross Sales	$188,030.59	71%
Fixed Expenditures		
Business Licenses and Permits	735.00	0.28%
Rent Expense	14,400.00	5.43%
General Liability Insurance	1,469.92	0.55%
Worker's Compensation	4,089.35	1.54%
Janitorial Expense	2,719.00	1.02%
Wages Expenses	66,013.54	24.87%
Employer Payroll Taxes	9,027.00	3.40%
Payroll Processing Fees	751.87	0.28%
Utilities	6,884.85	2.59%
Store Fixed Expenses	$106,090.53	39.97%
Royalty Fees	12,102.48	4.56%
Marketing Fund	5,308.07	2.00%
Total Fixed Expenses w/Franchise Fees	$118,193.01	44.53%
Gross Net Sales	69,837.58	26.31%

Bottoms Up Espresso - Bakersfield

Profit and Loss

January - December 2017

Gross Sales	$ Amount	% of Sales
Food Sales (Tax Excluded)	265,403.56	
Total Income	$265,403.56	100%
Cost of Goods Sold		
Food Purchases	84,994.41	
Cost of Goods Sold	$84,994.41	32%
Total Gross Sales	$180,409.15	68%
Fixed Expenditures		
Business Licenses and Permits	517.29	0.19%
Rent Expense	15,600.00	5.88%
General Liability Insurance	1,371.41	0.52%
Worker's Compensation	4,363.82	1.64%
Janitorial Expense	2,782.73	1.05%
Wages Expenses	70,233.84	26.46%

Employer Payroll Taxes	10,193.68	3.84%
Payroll Processing Fees	1,176.09	0.44%
Utilities	5,727.91	2.16%
Store Fixed Expenses	$111,966.77	42.19%
Royality Fees	14,771.06	5.57%
Marketing Fund		0.00%
Total Fixed Espenses w/Franchise Fees	$126,737.83	47.75%
Gross Net Sales	53,671.32	20.22%

Bottoms Up Espresso - Bakersfield

Profit and Loss

January - December 2018

Gross Sales	$ Amount	% of Sales
Food Sales (Tax Excluded)	291,451.09	
Total Income	$291,451.09	100%
Cost of Goods Sold		
Food Purchases	98,457.05	
Cost of Goods Sold	$98,457.05	34%
Total Gross Sales	$192,994.04	66%
Fixed Expenditures		
Business Licenses and Permits	586.30	0.20%
Rent Expense	13,200.00	4.53%
General Liability Insurance	1,551.28	0.53%
Worker's Compensation	1,718.99	0.59%
Janitorial Expense	1,711.72	0.59%
Wages Expenses	70,883.83	24.32%
Employer Payroll Taxes	10,891.60	3.74%
Payroll Processing Fees	1,481.74	0.51%
Utilities	5,981.25	2.05%
Store Fixed Expenses	$108,006.71	37.06%
Royality Fees	17,393.62	5.97%
Marketing Fund		0.00%
Total Fixed Espenses w/Franchise Fees	$125,400.33	43.03%
Gross Net Sales	67,593.71	23.19%

Bottom's Up Espresso - Yosemite
Profit & Loss
2015

		2015	
Gross Sales		**$ Amount**	**% of Sales**
Income			
Merchandise	$	-	0.00%
Food Sales (Tax Included)	$	224,678.53	100.00%
Miscellaneous Income	$	-	0.00%
Uncategorized Income	$	-	0.00%
Total Income	$	224,678.53	
Cost of Goods Sold			
Food Purchases	$	93,422.21	41.58%
Merchandise	$	252.66	0.11%
Restaurant Supplies	$	605.50	0.27%
Total COGS	$	94,280.37	41.96%
Total Gross Sales	$	130,398.16	58.04%

Fixed Expenditures			
Rent	$	15,254.10	6.79%
Insurance Expense	$	353.66	0.16%
Business Licenses and Permits	$	764.00	0.34%
General Liability Insurance	$	922.43	0.41%
Worker's Compensation	$	2,857.79	1.27%
Janitorial Expense	$	1,066.30	0.47%
Laundry	$	1,243.03	0.55%
Payroll Expense	$	1,243.01	0.55%
Payroll Taxes	$	10,519.13	4.68%
Payroll Wages	$	54,469.68	24.24%
Utilities	$	6,922.27	3.08%
Store Fixed Expenses	$	95,615.40	42.56%
If a Franchisee Store - Franchisee Fees			
Royalty Fees	$	13,480.71	6.00%
Nat'l/Regional Advertising	$	4,493.57	2.00%
Local Advertising (Proven)	$	2,000.00	0.89%
Grand Opening Advertising	$	2,000.00	0.89%
Internet Fee	$	640.00	0.28%

Software and Development Fee	$	928.00	0.41%
Total Fixed Expenses w/ Franchisee Fees	$	119,157.68	53.03%
Gross Net Sales	$	11,240.48	5.00%

Bottoms Up Espresso - Yosemite

Profit and Loss

January - December 2016

Gross Sales	$ Amount	% of Sales
Food Sales (Tax Included)	196,879.51	
Total Income	$196,879.51	100%
Cost of Goods Sold		
Food Purchases	73,178.85	
Cost of Goods Sold	$73,178.85	37%
Total Gross Sales	$123,700.66	63%
Fixed Expenditures		
Business Licenses and Permits	1,364.91	0.69%
Rent Expense	16,800.00	8.53%
General Liability Insurance	1,469.92	0.75%
Worker's Compensation	4,089.35	2.08%
Janitorial Expense	3,392.62	1.72%
Wages Expenses	45,083.29	22.90%
Employer Payroll Taxes	5,053.71	2.57%
Payroll Processing Fees	751.87	0.38%
Utilities	7,210.94	3.66%
Store Fixed Expenses	$85,216.61	43.28%
Royalty Fees	10,973.35	5.57%
Marketing Fund	3,937.59	2.00%
Total Fixed Expenses w/Franchise Fees	$96,189.96	48.86%
Gross Net Sales	27,510.70	13.97%

Bottoms Up Espresso - Yosemite

Profit and Loss
January - December 2018

Gross Sales	$ Amount	% of Sales
Food Sales (Tax Excluded)	202,751.03	
Total Income	$202,751.03	100%
Cost of Goods Sold		
Food Purchases	75,864.43	
Cost of Goods Sold	$75,864.43	37%
Total Gross Sales	$126,886.60	63%
Fixed Expenditures		
Business Licenses and Permits	879.01	18.00%
Rent Expense	15,400.00	7.60%
General Liability Insurance	1,551.30	0.77%
Worker's Compensation	1,711.77	0.84%
Janitorial Expense	1,620.86	0.80%
Wages Expenses	59,946.06	29.57%
Employer Payroll Taxes	9,270.50	4.57%
Payroll Processing Fees	1,481.77	0.73%
Utilities	9,090.67	4.48%
Store Fixed Expenses	$100,951.94	49.79%
Royality Fees	12,412.44	6.12%
Marketing Fund	3,743.74	1.85%
Total Fixed Espenses w/Franchise Fees	$113,364.38	55.91%
Gross Net Sales	13,522.22	6.67%

Franchised Locations 2018

Bottoms Up Espresso - Prescott
Profit and Loss
January - December 2018

Gross Sales	$ Amount	% of Sales
Food Sales (Tax Excluded)	316,148.50	

Total Income	$316,148.50	100%
Cost of Goods Sold		
Food Purchases	-	
Cost of Goods Sold	$-	0%
Total Gross Sales	$316,148.50	100%
Fixed Expenditures		
Business Licenses and Permits		0.00%
Rent Expense	-	0.00%
General Liability Insurance	-	0.00%
Worker's Compensation	-	0.00%
Janitorial Expense	-	0.00%
Wages Expenses	-	0.00%
Employer Payroll Taxes	-	0.00%
Payroll Processing Fees	-	0.00%
Utilities	-	0.00%
Store Fixed Expenses	$-	0.00%
Royality Fees	-	0.00%
Marketing Fund	-	0.00%
Total Fixed Espenses w/Franchise Fees	$-	0.00%
Gross Net Sales	316,148.50	100.00%

Bottoms Up Espresso - Tracy

Profit and Loss

January - December 2018

Gross Sales	$ Amount	% of Sales
Food Sales (Tax Excluded)	453,857.73	
Total Income	$453,857.73	100%
Cost of Goods Sold		
Food Purchases	-	
Cost of Goods Sold	$-	0%
Total Gross Sales	$453,857.73	100%
Fixed Expenditures		
Business Licenses and Permits	-	0.00%

Rent Expense	-	0.00%
General Liability Insurance	-	0.00%
Worker's Compensation	-	0.00%
Janitorial Expense	-	0.00%
Wages Expenses	-	0.00%
Employer Payroll Taxes	-	0.00%
Payroll Processing Fees	-	0.00%
Utilities	-	0.00%
Store Fixed Expenses	$-	0.00%
Royality Fees	-	0.00%
Marketing Fund	-	0.00%
Total Fixed Espenses w/Franchise Fees	$-	0.00%
Gross Net Sales	453,857.73	100.00%

Bottoms Up Espresso - Vernalis

Profit and Loss

January - December 2018

Gross Sales	$ Amount	% of Sales
Food Sales (Tax Excluded)	265,395.47	
Total Income	$265,395.47	100%
Cost of Goods Sold		
Food Purchases		
Cost of Goods Sold	$-	0%
Total Gross Sales	$265,395.47	100%
Fixed Expenditures		
Business Licenses and Permits		0.00%
Rent Expense		0.00%
General Liability Insurance		0.00%
Worker's Compensation		0.00%
Janitorial Expense		0.00%
Wages Expenses		0.00%
Employer Payroll Taxes		0.00%
Payroll Processing Fees		0.00%
Utilities		0.00%
Store Fixed Expenses	$-	0.00%
Royality Fees		0.00%

Marketing Fund		0.00%
Total Fixed Espenses w/Franchise Fees	$-	0.00%
Gross Net Sales	265,395.47	100.00%

** Note: There are additional operating expenses, overhead and salaries or personnel costs that are not included in the above partial Profit and Loss statement. We have chosen to omit these figures, because the amount of expense for these items inherently contains drastic variances depending upon the decision maker.

Gross Sales will vary. In particular, the Gross Sales of your Franchised Business will be directly affected by many factors, such as: (a) geographic location; (b) competition from other similar businesses in your area; (c) sales and marketing effectiveness based on market saturation; (d) your product and service pricing; (e) vendor prices on materials, supplies, and inventory; (f) labor costs; (g) ability to generate clients; (h) client loyalty; and (i) employment conditions in the market. Any such factor may differ materially from those that may exist for a franchise offered to You.

Based on all of the matters mentioned in this Item, we recommend that You make your own independent investigation to determine whether or not the franchise may be profitable to You and worth the risk. You should use this information only as a reference in conducting your analysis and in preparing your own projected income statements and cash flow statements. We suggest strongly that You consult your financial advisor or personal accountant concerning financial projections and federal, state and local income taxes and any other applicable taxes that You may incur in owning and operating a franchised business. The success of your franchise will depend largely upon your individual abilities, your use of these abilities, and your market.

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

Upon your reasonable request, Bottoms Up Espresso will make available to You the substantiating data used in preparing the projected financial results presented.

ITEM 20 - OUTLETS AND FRANCHISEE INFORMATION

Exhibit B provides a complete list of our Franchisees. If You buy this franchise, your contact information may be disclosed to other buyers during and when You leave the franchise system. The following tables reflect the status of our franchisees.

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

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2016	0	0	0
	2017	0	0	0
	2018	0	5	+5

Company-Owned	2016	6	6	0
	2017	6	6	0
	2018	6	3	-3
Total Outlets	2016	6	6	0
	2017	6	6	0
	2018	6	8	+2

*Note: The Total number of Franchisees, including any Franchisees signed this fiscal year up to the issuance date on this FDD, are listed in Exhibit B attached.
Three company owned stores operations were taken over by a Franchisee in 2018

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

State	Year	Number of Transfers
California	2016	0
	2017	0
	2018	0
Total Transfers	2016	0
	2017	0
	2018	0

The numbers in the “Total” column may exceed the number of stores affected because several events may have affected the same store. For example, the same store may have had multiple owners.

Table No. 3
Status of Franchised Outlets For years 2016-2018

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
CA	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0

	2018	0	4	0	0	0	0	4
AZ	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
Totals	**2016**	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	5	0	0	0	0	5

*Note: The Total number of Franchisees including any Franchisee's signed through the issuance date of this FDD is listed in Exhibit B attached. Table No. 4

Status of Company-Owned Outlets
For years 2016-2018

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
CA	2016	6	0	0	0	0	6
	2017	6	0	0	0	0	6
	2018	6	0	0	0	3	3
Totals	2016	6	6	0	0	0	6
	2017	6	0	0	0	0	6
	2018	6	0	0	0	3	3

Note: The company-owned units shown in this Table are operated by an Affiliate company, Bottoms Up Espresso, Inc. who utilizes the same BUE methods and procedures. There are no true company owned units in the BUE System.

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

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year

California	1	3	0
Arizona	0	2	0
Total	**1**	**5**	**0**

List of Current Franchisees

A list of all BUE Franchisees and the addresses of their Franchise Business is attached to this Disclosure Document as Exhibit B.

List of Terminated or Cancelled Franchisees

We have had no Franchisee who was terminated, cancelled or not renewed or otherwise ceased to do business either voluntarily or involuntarily within the last fiscal year, nor who has not communicated with us within 10 weeks of this Disclosure Document Issuance date.

<u>Additional Franchisee Information</u>

If You buy this franchise, your contact information may be disclosed to other buyers during and when You leave the franchise system as required by law.

During our last three fiscal years, we have not signed any confidentiality clauses with current or Former Franchisees which would restrict their ability to speak openly with You about their experience with us. We are not aware of any trade-specific Franchisee organizations associated with the System and no Independent Franchisee organizations have asked to be included in this Disclosure Document.

ITEM 21 - FINANCIAL STATEMENTS

Attached as Exhibit A are our, (i) our audited 2018 financials; (ii) our audited 2017 and (iii) our audited 2016 financials. Our fiscal year ends December 31st.

ITEM 22 - CONTRACTS

The following Agreements are attached to this Disclosure Document as Exhibits:

Confidentiality Agreement	Exhibit C
Franchise Agreement	Exhibit E

There are no other contracts or agreements provided by BUE to be signed by You.

ITEM 23 - RECEIPT

In accordance with the Trade Regulation Rule of the Federal Trade Commission titled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures", a Receipt by the Prospective Franchisee is attached as Exhibit I, located on the last two pages of this Disclosure Document.

You should sign and date both copies of the receipt <u>as of the date You received this Disclosure Document.</u>

Keep one copy for your records and return the other signed copy to us.

[The rest of this page was intentionally left blank]

EXHIBIT A
TO FRANCHISE DISCLOSURE DOCUMENT
BUE FRANCHISING, LLC
FINANCIAL STATEMENTS

The following financial statements are attached:

1. Our audited financials for 2018;
2. Our audited financials for 2017;
3. Our audited financials for 2016

BUE FRANCHISING, LLC

FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

St. Clair CPAs, P.C.
Accounting for Life   Advising for Lifecycles™

NDEPENDENT AUDITORS' REPORT

To the Member
BUE Franchising, LLC
Modesto, California

We have audited the accompanying financial statements of BUE Franchising, LLC (a Nevada Limited Liability Company), which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations and members' equity (deficit), and cash flows for the years then ended 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 these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 BUE Franchising, LLC as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

An independent member of BKR INTERNATIONAL
28 South Centre Street • Merchantville, New Jersey 08109 • (P) 856.482.5600 • (F) 856.665.3618 • www.stclaircpa.com
101 West Elm Street • Suite 500 • Conshohocken, Pennsylvania 19428 • (P) 610.862.1998 • (F) 610.862.3200 • info@stclaircpa.com

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in the schedules of general and administrative expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

St Clair CPAs, P.C.

Certified Public Accountants

Merchantville, New Jersey
March 7, 2019

BUE FRANCHISING, LLC
BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 22,124	$ 333
Current portion of note receivable	14,742	-
Royalty receivable	1,564	-
Prepaid commissions	5,375	
Due from affiliate	2,391	10,531
TOTAL CURRENT ASSETS	46,196	10,864
OTHER ASSETS		
Note receivable, net of current portion	50,375	-
Advances	6,435	-
TOTAL OTHER ASSETS	56,810	-
TOTAL ASSETS	$ 103,006	$ 10,864
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 10,263	$ 1,210
Due to affiliate	578	-
Deferred revenue	39,000	-
TOTAL CURRENT LIABILITIES	49,841	1,210
MEMBERS' EQUITY	53,165	9,654
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 103,006	$ 10,864

See accompanying notes.

BUE FRANCHISING, LLC
STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
REVENUES		
Royalties	$ 121,256	$ 98,275
Franchise fees	39,000	-
Other	161	-
TOTAL REVENUES	160,417	98,275
GENERAL AND ADMINISTRATIVE EXPENSES	106,539	51,551
INCOME FROM OPERATIONS	53,878	46,724
OTHER INCOME (EXPENSES)		
Interest income	3,013	-
Interest expense	(468)	(113)
TOTAL OTHER INCOME (EXPENSES)	2,545	(113)
NET INCOME	56,423	46,611
MEMBERS' EQUITY (DEFICIT) BEGINNING	9,654	(36,957)
Distributions	12,912	-
MEMBERS' EQUITY ENDING	$ 53,165	$ 9,654

See accompanying notes.

BUE FRANCHISING, LLC
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 56,423	$ 46,611
Adjustments to reconcile net income to net cash provided by operating activities		
Franchise fees financed through notes receivable	(78,000)	
(Increase) decrease in assets		
Inventory	-	5,739
Royalty receivable	(1,564)	-
Prepaid commissions	(5,375)	-
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	9,053	(41)
Deferred revenue	39,000	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	19,537	52,309
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances to franchisee	(6,435)	-
Payments on note receivable	12,883	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	6,448	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions	(12,912)	-
Payments to/from affiliates	8,718	(55,576)
NET CASH USED BY FINANCING ACTIVITIES	(4,194)	(55,576)
NET INCREASE (DECREASE) IN CASH	21,791	(3,267)
CASH, BEGINNING	333	3,600
CASH, ENDING	$ 22,124	$ 333
SUPPLEMENTARY DISCLOSURES		
Interest paid	$ 468	$ 113

See accompanying notes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

BUE Franchising, LLC (the Company) was formed on April 17, 2015 for the purpose of selling and operating franchises under the brand name Bottoms Up Espresso. The Company authorizes franchisees and third-party licensees to use certain business formats, systems, methods, procedures, designs, layouts, specifications, trade names, and trademarks in the United States.

The Company does not operate any Bottoms Up Espresso locations.

As of December 31, 2018, there were seven (7) open and operating franchise locations, with three (3) being operated by a related party.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk- Cash

The Company maintains cash balances at a financial institution, which at various times during the year may exceed the threshold for insurance provided by the Federal Deposit Insurance Corporation (FDIC). The Company believes it is not exposed to any significant credit risk on its cash.

Revenue Recognition

In May 2014, the FASB issued guidance codified in Accounting Standards Codification ("ASC") 606, "Revenue Recognition - Revenue from Contracts with Customers," which amends the guidance in former ASC 605, "Revenue Recognition." The core principle of the standard is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. The standard also calls for additional disclosures around the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company has adopted the standard effective January 1, 2018 using the modified retrospective approach.

In accordance with the new guidance, revenue from recognition of the initial franchise fee, currently $39,000 and due at the time of the signing of the franchise agreement, will occur as specific performance obligations in the franchise agreement are performed by the Company. These performance obligations include, the training and use of the confidential information, fees to purchase a single unit franchise, along with the Franchise starter kit of opening inventory and materials. Amounts not allocated to specific performance obligations will be deferred over the life of the franchise agreement.

Revenue from its recognition of royalties from locations operated by franchisees, which are based on a percent of weekly franchisee gross revenue as stated in the Franchise Disclosure Document, will be recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Revenue from its multi-unit development fee, paid at the time the Multi-Unit Development Agreement is signed, is applied as a credit towards each individual location's initial franchise fee and will be recognized in accordance with the franchise fee recognition policy. These fees are stated in the Franchise Disclosure Document.

From time to time the Company can charge various other fees which are recognized when the specific performance obligations have been substantially performed.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the period in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There is no valuation allowance recorded as of December 31, 2018 and 2017.

Property and Equipment and Depreciation

Property and equipment will be stated at cost. Depreciation will be provided by using the straight-line method over the estimated useful lives of the assets. The useful lives of property and equipment for purposes of computing depreciation will be between five to seven years.

Deferred Revenue

Deferred revenue consists of revenue received for performance obligations that have yet to be performed. The costs associated with those performance obligations that have yet to be performed are included in prepaid commissions.

Income Taxes

The Company is a limited liability company and has elected to be taxed as a partnership, for federal and state income tax purposes. Under those provisions, the Company does not pay federal or state income taxes on its taxable income. Instead, the members report their respective share of the Company's taxable income. Accordingly, no liability has been recorded in the accompanying financial statements for federal or state income taxes. The Company is subject to an income tax examination by major jurisdiction for the years ended 2018, 2017, 2016, and 2015, the initial year of operation.

Although the Company does not have to file an income tax or informational return in the state of Nevada, they are required to pay an annual tax of $125.

Limited Liability Company

Since the Company is a limited liability company, no member, manager, agent, or employee of the Company shall be personally liable for the debts, obligations, or liabilities of the Company, whether arising in contract, tort, or otherwise, or for the acts or omissions of any other member, director, manager, agent, or employee of the Company, unless the individual has signed a specific personal guarantee. The duration of the entity is perpetual.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

National Marketing Fund

The Company administers advertising funds ("Marketing Fund Contributions") collected from franchisees and manages the franchise advertising and marketing program on behalf of the franchisees. Marketing Fund Contributions are calculated at 2% of gross revenue and collected at the same time as the royalty fee. The Company begins charging Marketing Fund Contributions starting with the thirteenth month following the date the franchised business is open to the public.

Advertising and Marketing Costs

Advertising and marketing costs are charged to operations in the period incurred. Total costs for the years ended December 31, 2018 and 2017 were $6,539 and $4,937, respectively.

Adoption of New Accounting Standard

In May 2014, the FASB issued guidance codified in Accounting Standards Codification ("ASC") 606, "Revenue Recognition - Revenue from Contracts with Customers," which amends the guidance in former ASC 605, "Revenue Recognition." The core principle of the standard is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. The standard also calls for additional disclosures around the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company has adopted the standard effective January 1, 2018, using the modified retrospective approach.

The Company’s revenues consist of fees from franchised locations operated by franchisees. Revenues from franchised locations include royalties based on a percent of sales and initial franchise fees. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services. The standard does not impact the recognition of royalties from locations operated by franchisees, which are based on a percent of sales and recognized at the time the underlying sales occur. The standard does change the timing in which the Company recognizes initial franchise fees from franchisees for new location openings and new franchise terms. The Company's accounting policy through December 31, 2017, was to recognize initial franchise fees upon a new location opening. Beginning in January 2018, initial franchise fees have been recognized as either the Company satisfies the specific performance obligation, or over the franchise term, which is generally 10 years. The Company adopted ASC 606 as of January 1, 2018, using the modified retrospective method. This method allows the standard to be applied retrospectively through a cumulative catch up adjustment recognized upon adoption. As such, comparative information in the Company’s financial statements has not been restated and continues to be reported under the accounting standards in effect for those periods.

The adoption did not result in a change to beginning Member’s Equity as of January 1, 2018. The change would have related to franchise sales which are now recognized as specific performance obligations occur, rather than when the franchise opens. The impact of applying this ASU for the year ended December 31, 2018 did not result in a change in franchise fee revenue, as the initial franchise fee sales occurred during the year ended December 31, 2018.

NOTE 2 RELATED PARTY AGREEMENTS

The Company has an agreement with its affiliate, Bottoms Up Espresso, Inc., a related party through common ownership, which grants the Company the rights to collect royalty income from three (3) Bottoms Up Espresso locations owned and operated by Bottoms Up Espresso, Inc. No consideration was paid by the Company to acquire these rights.

The Company has an agreement with its affiliate, Bottoms Up Holdings, LLC, a related party through common ownership, which grants the Company the rights to use the Bottoms Up Espresso service-marks, trademarks, logos, and other proprietary information. No consideration was paid by the Company to acquire these rights.

NOTE 3 RELATED PARTY TRANSACTIONS

Due from/to Affiliate

During the year, the Company borrows and loans funds to an affiliate. The loans are unsecured, non-interest bearing, and there are no formal repayment terms.

Royalties

During 2017, Bottoms Up Espresso, Inc. owned and operated six (6) Bottoms Up Espresso locations. Royalties earned during the year ended December 31, 2017 totaled $98,275.

During 2018, Bottoms Up Espresso, Inc. sold three (3) of the locations. Royalties earned during the year ended December 31, 2018 for the remaining three (3) locations totaled $61,591.

NOTE 4 COMMITMENTS

During February 2015, the Company entered into a lease agreement for virtual office space. The Company pays rent on a month-to-month basis in the amount of $100 per month, plus other costs for office services. Rent expense for the years ended December 31, 2018 and 2017, was $2,561 and $2,127, respectively.

NOTE 5 SUBSEQUENT EVENTS

The Company has evaluated events or transactions that have occurred after December 31, 2018 (the financial statement date) through March 7, 2019, the date that the financial statements were available to be issued. During this period, the Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

BUE FRANCHISING, LLC
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Payroll	$ 5,134	$ -
Payroll taxes	603	-
Advertising	6,539	4,937
Auto expense	1,705	1,653
Bank fees	860	758
Business meeting	96	364
Business taxes and licenses	3,000	1,348
Computer	6,665	4,339
Donations	1,728	-
Meals and entertainment	4,736	1,715
Office	2,336	2,381
Professional fees	60,157	29,822
Rent	2,561	2,127
Telephone	648	637
Tradeshow	2,795	-
Travel	6,976	1,470
	$ 106,539	$ 51,551

St. Clair CPAs, P.C.
Accounting for Life · Advising for Lifecycles™

CONSENT OF ACCOUNTANT

St. Clair CPAs, P.C. hereby consent to the use in the Franchise Disclosure Document issued by BUE Franchising, LLC (the Franchisor) on March 7, 2019 as it may be amended, of our report dated March 7, 2019 relating to the financial statements of BUE Franchising, LLC for the year ended December 31, 2018.

St Clair CPAs, P.C.

Certified Public Accountants

Merchantville, New Jersey
March 7, 2019

BUE FRANCHISING, LLC

FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

TABLE OF CONTENTS

St. Clair CPAs, P.C.
Accounting for Life   Advising for Lifecycles™

INDEPENDENT AUDITORS' REPORT

To the Members
BUE Franchising, LLC
Modesto, California

We have audited the accompanying financial statements of BUE Franchising, LLC (a Nevada Limited Liability Company), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations and members' equity (deficit), and cash flows for the years then ended 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 these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 BUE Franchising, LLC as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

An independent member of BKR INTERNATIONAL
28 South Centre Street • Merchantville, New Jersey 08109 • (P) 856.482.5600 • (F) 856.665.3618 • www.stclaircpa.com
101 West Elm Street • Suite 500 • Conshohocken, Pennsylvania 19428 • (P) 610.862.1998 • (F) 610.862.3200 • info@stclaircpa.com

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in the schedules of general and administrative expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

St. Clair CPAs, P.C.

Certified Public Accountants

Merchantville, New Jersey
February 20, 2018

BUE FRANCHISING, LLC
BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	$ 333	$ 3,600
Inventory	-	5,739
Due from affiliate	10,531	500
TOTAL CURRENT ASSETS	10,864	9,839
TOTAL ASSETS	$ 10,864	$ 9,839
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,210	$ 1,251
Due to affiliate	-	45,545
TOTAL CURRENT LIABILITIES	1,210	46,796
MEMBERS' EQUITY (DEFICIT)	9,654	(36,957)
TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)	$ 10,864	$ 9,839

See accompanying notes.

BUE FRANCHISING, LLC
STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
REVENUES		
Royalties	$ 98,275	$ 89,962
Sales	-	4,764
TOTAL REVENUES	98,275	94,726
COST OF GOODS SOLD	-	11,417
GROSS PROFIT	98,275	83,309
OPERATING EXPENSES		
General and administrative expenses	51,551	87,941
INCOME (LOSS) FROM OPERATIONS	46,724	(4,632)
OTHER EXPENSES		
Interest expense	113	94
NET INCOME (LOSS)	46,611	(4,726)
MEMBERS' DEFICIT BEGINNING	(36,957)	(32,231)
MEMBERS' EQUITY (DEFICIT) ENDING	$ 9,654	$ (36,957)

See accompanying notes.

BUE FRANCHISING, LLC
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 46,611	$ (4,726)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
(Increase) decrease in assets		
Accounts receivable	-	71
Inventory	5,739	4,725
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(41)	(3,248)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	52,309	(3,178)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to/from affiliate	(55,576)	3,092
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(55,576)	3,092
NET DECREASE IN CASH	(3,267)	(86)
CASH, BEGINNING	3,600	3,686
CASH, ENDING	$ 333	$ 3,600
SUPPLEMENTARY DISCLOSURES		
Interest paid	$ 113	$ 94

See accompanying notes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

BUE Franchising, LLC (the Company) was formed on April 17, 2015 for the purpose of selling and operating franchises under the brand name Bottoms Up Espresso. The Company authorizes franchisees and third-party licensees to use certain business formats, systems, methods, procedures, designs, layouts, specifications, trade names, and trademarks in the United States.

The Company does not operate any Bottoms Up Espresso locations.

As of December 31, 2017, there were six (6) open and operating franchise locations being operated by a related party.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk- Cash

The Company maintains cash balances at a financial institution, which at various times during the year may exceed the threshold for insurance provided by the Federal Deposit Insurance Corporation (FDIC). The Company believes it is not exposed to any significant credit risk on its cash.

Inventory

Inventories consisted of merchandise available for sale at franchise locations. Inventory was stated at the lower of cost (determined on the first-in, first-out method) or market value. The Company no longer holds inventory for sale.

Revenue Recognition

The Company complies with Accounting Standards Codification (ASC) 952, Accounting for Franchise Fee Revenue, which indicates the basis for the recognition, presentation, and disclosure of franchise fee revenue.

Initial franchise fee revenue is accordingly recognized when all of the following criteria have been met:

- final payment has been received;
- the franchisee has executed a franchise agreement/evidence of an agreement exists;
- substantially all obligations relating to the sale of a franchise has been performed, and
- the price to the customer is fixed and determinable

The initial franchise fee is payable in full upon signing of the Franchise Agreement and is non-refundable under any circumstances.

Pursuant to the terms of the franchise agreement, franchisees will pay a regular monthly service fee (royalty) based upon a percentage of the franchisees gross revenue as stated in the Franchise Disclosure Document. These amounts are recorded in revenue as these services are delivered and collection is reasonably assured.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

There is also a multi-area development agreement that requires the operator to develop and establish other locations within a specifically described geographical location. There is a development fee due upon execution of their agreement and the fees range based upon the number of establishments the franchisee will operate. These fees are stated in the Franchise Disclosure Document and are also non-refundable.

From time to time the Company can charge various other fees which are recognized when conditions relating to the fee have been substantially performed.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the period in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There is no valuation allowance recorded as of December 31, 2017 and 2016.

Property and Equipment and Depreciation

Property and equipment will be stated at cost. Depreciation will be provided by using the straight-line method over the estimated useful lives of the assets. The useful lives of property and equipment for purposes of computing depreciation will be between five to seven years.

Income Taxes

The Company is a limited liability company and has elected to be taxed as a partnership, for federal and state income tax purposes. Under those provisions, the Company does not pay federal or state income taxes on its taxable income. Instead, the members report their respective share of the Company's taxable income. Accordingly, no liability has been recorded in the accompanying financial statements for federal or state income taxes. The Company is subject to income tax examination by major jurisdiction for the years ended 2017, 2016, and 2015, the initial year of operation.

Although the Company does not have to file an income tax or informational return in the state of Nevada, they are required to pay an annual tax of $125.

Limited Liability Company

Since the Company is a limited liability company, no member, manager, agent or employee of the Company shall be personally liable for the debts, obligations, or liabilities of the Company, whether arising in contract, tort, or otherwise, or for the acts or omissions of any other member, director, manager, agent or employee of the Company, unless the individual has signed a specific personal guarantee. The duration of the entity is perpetual.

National Marketing Fund

The Company administers advertising funds ("Marketing Fund Contributions") collected from franchisees and manages the franchise advertising and marketing program on behalf of the franchisees. Marketing Fund Contributions are calculated at 2% of gross revenue and collected at the same time as the royalty fee.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising and Marketing Costs

Advertising and marketing costs are charged to operations in the period incurred. Total costs for the years ended December 31, 2017 and 2016 were $4,937 and $-0-, respectively.

Recent Accounting Pronouncement

In May 2016, the Financial Accounting Standards Board (FASB) issued an amendment to the accounting guidance related to revenue recognition. The amendment serves to clarify the principals for recognizing revenue and to develop common revenue standards for U.S. GAAP. To meet those objectives, the FASB amended the FASB Accounting Standards Codification and added a new Topic 606, Revenue from Contracts with Customers. The guidance is effective for the non-public companies for annual reporting periods beginning after December 15, 2018, and early adoption is permitted. The Company is evaluating the impact of adopting this guidance to its financial statements.

NOTE 2 RELATED PARTY AGREEMENTS

The Company has an agreement with its affiliate, Bottoms Up Espresso, Inc., a related party through common ownership, which grants the Company the rights to collect royalty income from all six (6) Bottoms Up Espresso locations owned and operated by Bottoms Up Espresso, Inc. No consideration was paid by the Company to acquire these rights.

The Company has an agreement with its affiliate, Bottoms Up Holdings, LLC, a related party through common ownership, which grants the Company the rights to use the Bottoms Up Espresso service-marks, trademarks, logos, and other proprietary information. No consideration was paid by the company to acquire these rights.

NOTE 3 RELATED PARTY TRANSACTIONS

Due from/to Affiliate

During the year, the Company borrows and loans funds to an affiliate. The loans are unsecured, non-interest bearing, and there are no formal repayment terms.

Royalties

Bottoms Up Espresso, Inc. owns and operates six (6) Bottoms Up Espresso locations. Royalties earned during the years ended December 31, 2017 and 2016 totaled $98,275 and $89,962, respectively.

NOTE 4 COMMITMENTS

During February 2015, the Company entered into a lease agreement for virtual office space. The Company pays rent on a month-to-month basis in the amount of $100 per month. Rent expense for the years ended December 31, 2017 and 2016, was $2,127 and $1,236, respectively.

NOTE 5 SUBSEQUENT EVENTS

The Company has evaluated events or transactions that have occurred after December 31, 2017 (the financial statement date) through February 20, 2018, the date that the financial statements were available to be issued. During this period, the Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

BUE FRANCHISING, LLC
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Advertising	$ 4,937	$ -
Auto expense	1,653	867
Bank fees	758	783
Business meeting	364	155
Business taxes and licenses	1,348	-
Computer	4,339	2,586
Dues and subscriptions	-	450
Meals and entertainment	1,715	999
Office	2,381	1,617
Postage	-	159
Professional fees	29,822	51,498
Promotional	-	2,935
Rent	2,127	1,236
Repairs and maintenance	-	150
Security	-	105
Telephone	637	849
Tradeshow	-	19,290
Travel	1,470	4,262
	$ 51,551	$ 87,941

St. Clair CPAs, P.C.
Accounting for Life Advising for Lifecycles™

CONSENT OF ACCOUNTANT

St. Clair CPAs, P.C. hereby consent to the use in the Franchise Disclosure Document issued by BUE Franchising, LLC (the Franchisor) on February 20, 2018 as it may be amended, of our report dated February 20, 2018 relating to the financial statements of BUE Franchising, LLC for the year ended December 31, 2017.

St. Clair CPAs, P.C.

Certified Public Accountants

Merchantville, New Jersey
February 20, 2018

BUE FRANCHISING, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2016

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Members
BUE Franchising, LLC
Modesto, California

We have audited the accompanying financial statements of BUE Franchising, LLC (a Nevada Limited Liability Company), which comprise the balance sheet as of December 31, 2016, and the related statements of operations and members' deficit, and cash flows for the year then ended 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 these financial statements 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 BUE Franchising, LLC as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

An independent member of BKR International
28 South Centre Street • Merchantville, New Jersey 08109 • (P) 856.482.5600 • (F) 856.665.3618 • www.stclaircpa.com
101 West Elm Street • Suite 500 • Conshohocken, Pennsylvania 19428 • (P) 610.862.1998 • (F) 610.862.3200 • info@stclaircpa.com

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in the schedule of general and administrative expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

St Clair CPAs P.C.

Certified Public Accountants

Merchantville, New Jersey
July 25, 2017

BUE FRANCHISING, LLC
BALANCE SHEET
DECEMBER 31, 2016

ASSETS		
CURRENT ASSETS		
Cash	$	3,600
Inventory		5,739
Due from affiliate		500
TOTAL CURRENT ASSETS		9,839
TOTAL ASSETS	$	9,839
LIABILITIES AND MEMBERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$	1,251
Due to affiliate		45,545
TOTAL CURRENT LIABILITIES		46,796
MEMBERS' DEFICIT		(36,957)
TOTAL LIABILITIES AND MEMBERS' DEFICIT	$	9,839

See accompanying notes.

BUE FRANCHISING, LLC
STATEMENT OF OPERATIONS AND MEMBERS' DEFICIT
YEAR ENDED DECEMBER 31, 2016

REVENUES	
Royalties	$ 89,962
Sales	4,764
TOTAL REVENUES	94,726
COST OF GOODS SOLD	11,417
GROSS PROFIT	83,309
OPERATING EXPENSES	
General and administrative expenses	87,941
LOSS FROM OPERATIONS	(4,632)
OTHER EXPENSES	
Interest Expense	94
NET LOSS	(4,726)
MEMBERS' DEFICIT BEGINNING	(32,231)
MEMBERS' DEFICIT ENDING	$ (36,957)

See accompanying notes.

BUE FRANCHISING, LLC
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	$ (4,726)
Adjustments to reconcile net loss to	
net cash used by operating activities	
(Increase) decrease in assets	
Receivables	
Accounts receivable	71
Inventory	4,725
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	(3,248)
NET CASH USED BY OPERATING ACTIVITIES	(3,178)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments from affiliate	3,092
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,092
NET DECREASE IN CASH	(86)
CASH, BEGINNING	3,686
CASH, ENDING	$ 3,600

See accompanying notes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

BUE Franchising, LLC (the Company) was formed on April 17, 2015 for the purpose of selling and operating franchises under the brand name Bottoms Up Espresso. The Company authorizes franchisees and third-party licensees to use certain business formats, systems, methods, procedures, designs, layouts, specifications, trade names and trademarks in the United States.

The Company does not operate any Bottoms Up Espresso locations.

As of December 31, 2016, there were six (6) open and operating franchise locations being operated by a related party.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk- Cash

The Company maintains cash balances at a financial institution, which at various times during the year may exceed the threshold for insurance provided by the Federal Deposit Insurance Corporation (FDIC). The Company believes it is not exposed to any significant credit risk on its cash.

Inventory

Inventories consist of merchandise available for sale at franchise locations. Inventory are stated at the lower of cost (determined on the first-in, first-out method) or market value.

Revenue Recognition

The Company complies with Accounting Standards Codification (ASC) 952, Accounting for Franchise Fee Revenue, which indicates the basis for the recognition, presentation and disclosure of franchise fee revenue.

Initial franchise fee revenue is accordingly recognized when all of the following criteria have been met:

- final payment has been received;
- the franchisee has executed a franchise agreement/evidence of an agreement exists;
- substantially all obligations relating to the sale of a franchise has been performed, and
- the price to the customer is fixed and determinable

The initial franchise fee is payable in full upon signing of the Franchise Agreement and is non-refundable under any circumstances.

Pursuant to the terms of the franchise agreement, franchisees will pay a regular monthly service fee (royalty) based upon a percentage of the franchisees gross revenue as stated in the Franchise Disclosure Document. These amounts are recorded in revenue as these services are delivered and collection is reasonably assured.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

There is also a multi-area development agreement that requires the operator to develop and establish other locations within a specifically described geographical location. There is a development fee due upon execution of their agreement and the fees range based upon the number of establishments the franchisee will operate. These fees are stated in the Franchise Disclosure Document and are also non-refundable.

From time to time the Company can charge various other fees which are recognized when conditions relating to the fee have been substantially performed.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the period in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There is no valuation allowance recorded as of December 31, 2016.

Property and Equipment and Depreciation

Property and equipment will be stated at cost. Depreciation will be provided by using the straight-line method over the estimated useful lives of the assets. The useful lives of property and equipment for purposes of computing depreciation will be between five to seven years.

Income Taxes

The Company is a limited liability company and has elected to be taxed as a partnership, for federal and state income tax purposes. Under those provisions, the Company does not pay federal or state income taxes on its taxable income. Instead, the members report their respective share of the Company's taxable income. Accordingly, no liability has been recorded in the accompanying financial statements for federal or state income taxes. The company is subject to income tax examination by major jurisdiction for the years ended 2016 and 2015, the initial year of operation.

Although the Company does not have to file an income tax or informational return in the state of Nevada, they are required to pay an annual tax of $125.

Limited Liability Company

Since the Company is a limited liability company, no member, manager, agent or employee of the company shall be personally liable for the debts, obligations, or liabilities of the company, whether arising in contract, tort, or otherwise, or for the acts or omissions of any other member, director, manager, agent or employee of the company, unless the individual has signed a specific personal guarantee. The duration of the entity is perpetual.

National Marketing Fund

The Company administers advertising funds ("Marketing Fund Contributions") collected from franchisees and manages the franchise advertising and marketing program on behalf of the franchisees. Marketing Fund Contributions are calculated at 2% of gross revenue and collected at the same time as the royalty fee.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising and Marketing Costs

Advertising and marketing costs are charged to operations in the period incurred. Total costs for the year ended December 31, 2016 was $-0-.

Recent Accounting Pronouncement

In May 2016, the Financial Accounting Standards Board (FASB) issued an amendment to the accounting guidance related to revenue recognition. The amendment serves to clarify the principals for recognizing revenue and to develop common revenue standards for U.S. GAAP. To meet those objectives, the FASB amended the FASB Accounting Standards Codification and added a new Topic 606, Revenue from Contracts with Customers. The guidance is effective for the non-public companies for annual reporting periods beginning on or after December 15, 2018, and early adoption is permitted, but no earlier than annual reporting periods beginning after December 15, 2016.

The Company is evaluating the impact of adopting this guidance to its financial statements.

NOTE 2 RELATED PARTY AGREEMENTS

The Company has an agreement with its affiliate, Bottoms Up Espresso, Inc., a related party through common ownership, which grants the Company the rights to collect royalty income from all six Bottoms Up Espresso locations owned and operated by Bottoms Up Espresso, Inc. No consideration was paid by the company to acquire these rights.

The Company has an agreement with its affiliate, Bottoms Up Holdings, LLC, a related party through common ownership, which grants the Company the rights to use the Bottoms Up Espresso service marks, trademarks, logos, and other proprietary information. No consideration was paid by the company to acquire these rights.

NOTE 3 RELATED PARTY TRANSACTIONS

Due from Affiliate

The amount due from affiliate in unsecured, non-interest bearing, and has no formal repayment terms.

Due to Affiliate

During the year, the Company borrows and loans funds to an affiliate. The loans are unsecured, non-interest bearing, and there are no formal repayment terms.

Royalties

Bottoms Up Espresso, Inc. owns and operates six Bottoms Up Espresso locations. Royalties paid during the year totaled $89,962.

NOTE 4 COMMITMENTS

During February 2015, the Company entered into a lease agreement for virtual office space. The company pays rent on a month-to-month basis in the amount of $100 per month. Rent expense for the year ended December 31, 2016, was $1,236.

NOTE 5 SUBSEQUENT EVENTS

The Company has evaluated events or transactions that have occurred after December 31, 2016 (the financial statement date) through July 25, 2017, the date that the financial statements were available to be issued. During this period, the Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

BUE FRANCHISING, LLC
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2016

Auto expense	$	867
Bank fees		783
Business meeting		155
Computer		2,586
Dues and subscriptions		450
Meals and entertainment		999
Office		1,617
Postage		159
Professional fees		51,498
Promotional		2,935
Rent		1,236
Repairs and maintenance		150
Security		105
Telephone		849
Tradeshow		19,290
Travel		4,262
	$	87,941

St. Clair CPAs, P.C.
Accounting for Life Advising for Lifecycles™

CONSENT OF ACCOUNTANT

St. Clair CPAs, P.C. hereby consent to the use in the Franchise Disclosure Document issued by BUE Franchising, LLC (the Franchisor) on July 25, 2017 as it may be amended, of our report dated July 25, 2017 relating to the financial statements of BUE Franchising, LLC for the year ended December 31, 2016.

St Clair CPAs P.C.

Certified Public Accountants

Merchantville, New Jersey
July 25, 2017

EXHIBIT B
TO FRANCHISE DISCLOSURE DOCUMENT
BUE FRANCHISING, LLC
LIST OF FRANCHISE LOCATIONS

(a) Franchisees.
The following are the names, addresses and telephone numbers of all BUE Franchisees as of December 31, 2018 who have paid and are operational:
Note: FA = Franchise Agreement and The number indicated is the number of franchise businesses purchased.

Arizona:
Chandler: BUEAZ1, LLC, Stephen Wright 80 West Warner Road, Chandler, AZ 85225

California:
Prescott: Mudwater, LLC, Spandan Patel, 1800 Prescott Road, Modesto, CA 95350 phone 916-257-5156*
Tracy: Mudwater, LLC, Spandan Patel, 2355 W. Grantline Road, Tracy, CA 95377 phone 916-257-5156*
Vernalis: Mudwater, LLC, Spandan Patel, 2553 E. Highway 132, Vernalis, CA 95385 phone 916-257-5156*
Chico: Mudwater, LLC, Spandan Patel, 1055 Mangrove Ave, Chico, CA 95926 phone 916-257-5156
* These locations were sold in January and February of 2018. Originally affiliate owned locations, they are now franchised locations.

(b) Franchise Agreements signed but not yet Operational. The Following are the names, addresses and telephone numbers of BUE Franchisees as of December 31, 2018, who are not yet operational, but have signed Agreements.

Company Name	Contact	Address	City, ST Zip	Phone
Mudwater, LLC	Spandan Patel	705 10Th Street	Marysville, CA 95901	
Mudwater, LLC	Spandan Patel	4120 Dale Road	Modesto, CA 95356	

(c) Former Franchisees.
The following are the names, last known home addresses and home telephone numbers of all Franchisees that have been terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement as of December 31, 2018
Note: FA = Franchise Agreement
The number indicated is the number of franchise businesses purchased.

Company Name	Contact	Address	City, ST Zip	Phone
None to be disclosed at this time.				

EXHIBIT C
TO FRANCHISE DISCLOSURE DOCUMENT
BUE FRANCHISING, LLC
CONFIDENTIALITY AGREEMENT

By and Between

BUE FRANCHISING, LLC
FRANCHISOR

AND

____, PROSPECT

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement, made this________ day of_____________________, 20___, by and between BUE Franchising, LLC, a Nevada Limited Liability Company formed and operating under the laws of the State of Nevada, having its principal place of business at 3651 Lindell Road, Suite 11, Las Vegas, NV 89103 ("Franchisor") and all jointly and severally, of ____(Hereinafter ("Prospect").

WHEREAS, Franchisor has developed and owns a unique system relating to the establishment and operation of businesses whose purpose is providing gourmet coffee drinks and specialty beverages BUE franchisees provide gourmet coffee drinks, specialty beverages, and other related merchandise products to customers in a retail, drive-thru setting with baristas dressed in daily themes.

WHEREAS, Prospect and Franchisor have entered into discussions which may involve the disclosure to Prospect of the proprietary information of Franchisor.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other, hereby agree as follows:

1. Proprietary Information/Confidential Treatment. During the course of business dealings between the parties, certain of the confidential information of Franchisor will be disclosed to Prospect. Prospect or any of its employees, shall not for any reason or purpose whatsoever, use for its personal benefit, or disclose, communicate or divulge to, or use for the benefit, direct or indirect, of any person, firm, association or corporation other than Prospect, any knowledge of confidential information which is proprietary to Franchisor ("Proprietary Information"). All Proprietary Information shall be the sole property of Franchisor and its assigns, and Prospect hereby assigns to Franchisor any rights it has or may acquire in such Proprietary Information. Prospect will have access to and become acquainted with various trade secrets and trade sources, consisting of patterns, operational systems and compilations of information, records, and specifications which are owned by Franchisor and which are regularly used in the operation of a franchised business. Prospect shall not disclose any of the aforesaid trade secrets, directly or indirectly, or use them in any way, at any time, except as required in the course of business dealings between Franchisor and Prospect.

2. Injunctive Relief. Any breach of provisions of this Agreement shall cause irreparable harm to Franchisor, and therefore, in the event of a breach or threatened breach of the provisions of this Confidentiality Agreement, Franchisor shall be entitled to an injunction restraining Prospect from disclosing or appropriating in whole or in part, the Proprietary Information, or from rendering any services to any person, firm, corporation, association or other entity to whom such confidential information, in whole or in part, has been disclosed or is threatened to be disclosed. Nothing herein shall be construed as prohibiting Franchisor from pursuing any other remedies available for such breach or threatened breach, including the recovery of damages or liquidated damages in the amount of Twenty Thousand Dollars and 00/100 ($20,000.00) for each such breach, whichever is deemed higher by a court of law.

IN WITNESS WHEREOF, the parties hereunder have duly executed, sealed and delivered this Agreement on the day and year set forth above.

BUE FRANCHISING,LLC	**PROSPECT(S)**
By: Nathan Wilson	**By:** ___________________________________
Its: Franchise Founder/President	**Name, Its:** ______________________________
	By: ____________________________________
	Name, Its: ______________________________

EXHIBIT D

TO FRANCHISE DISCLOSURE DOCUMENT
BUE FRANCHISING, LLC
FRANCHISE AGREEMENT

____
Franchise Agreement Date

By and Between

BUE FRANCHISING, LLC, FRANCHISOR

and

__________________________________, **FRANCHISEE**

FRANCHISE AGREEMENT
TABLE OF CONTENTS

FRANCHISE AGREEMENT

This Franchise Agreement made this________ day of______________________, 20___, is by and between BUE Franchising, LLC, a Nevada Limited Liability Company, having its principal place of business at 3651 Lindell Road, Suite 11, Las Vegas, NV 89103, ("Franchisor"), (hereinafter also known as "we" "us" or "BUE") and____, a ____________________________________ ____________________________________ and whose principal address is ____, ____ ("Franchisee").

WHEREAS, Franchisor has developed, and is in the process of further developing, a System identified by the trademark "Bottoms Up Espresso" and relating to the establishment and operation of a franchised business providing high quality, gourmet coffee drinks and specialty beverages ; and

WHEREAS, Franchisor has developed a business plan and method of establishing and conducting the Business and operating Businesses emphasizing prompt and courteous service in a friendly and helpful atmosphere which is intended to be attractive to patrons and utilizing certain standards, specifications, methods, procedures, techniques, management techniques, proprietary marks, commercial symbols, trade dress and other proprietary or confidential information, as they may be improved, and further developed from time to time hereafter by Franchisor (the "System"); and

WHEREAS, the distinguishing characteristics of the System include, without limitation, the trade names, trademarks, and service marks and associated logos and symbols set forth on Exhibit 6 attached hereto and made a part hereof by reference, and such other marks as Franchisor may develop from time to time hereafter and designate for use in connection with the System (the "Marks"); the trade dress of the Business; signage, decorations, equipment, furnishings and materials, as necessary; the Confidential Operations Manual; uniform operating methods, procedures and techniques; methods and techniques for inventory and cost controls, record keeping, reporting, personnel management, and purchasing (all of which may be improved and further developed by Franchisor from time to time); all such Marks and other distinguishing characteristics being owned by Franchisor; and

WHEREAS, Franchisor grants to qualified persons and business entities the right to own and operate BUE™ Businesses using the System and the Marks; and

WHEREAS, Franchisee desires to operate a BUE™ Business, has applied for the Franchise and such application has been approved by Franchisor in reliance upon all of the representations made herein and therein; and

WHEREAS, Franchisee acknowledges that it is essential to the maintenance of the high standards of the System, and to the preservation of the integrity of the System and the Marks and goodwill of the Franchisor, that each franchisee in the System maintain and adhere to certain uniform standards, procedures and policies hereinafter described, and operate the Franchise Business in strict conformity with Franchisor's standards and specifications; and

WHEREAS, Franchisor has, and continues to develop, use, protect, and control the Marks for the benefit and exclusive use of itself and its franchisees in order to identify for the public the source of the products and/or services marketed under the System and to represent the System's high standards of quality; and

WHEREAS, the establishment and maintenance of a close working relationship with Franchisee and Franchisee's adherence to the tenants of Franchisor's System constitute the essence of this Franchise; and

WHEREAS, Franchisee desires, upon the terms and conditions set forth herein, to enjoy the benefits of operating under the System and of using the Marks and to be licensed to operate a Business in strict accordance with the standards and specifications of the System (the "Franchise Business"); and

WHEREAS, Franchisee has had a full and adequate opportunity to be thoroughly advised of the terms and conditions of this Franchise Agreement by counsel of its own choosing; and

WHEREAS, Franchisor is willing to grant Franchisee a license under the System and the Marks to operate a Franchise Business, subject to Franchisee's strict compliance with the terms and conditions of this Agreement and in reliance upon Franchisee's representations made in this Agreement and in Franchisee's application to become a franchisee under the System.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1 - DEFINITIONS

Whenever used in this Agreement, the following words and terms have the following meanings:

"Affiliate" means any business entity that controls, is controlled by, or is under common control with Franchisor;

"Agreement" means this agreement entitled "BUE Franchising, LLC Franchise Agreement" and all instruments supplemental hereto or in amendment, exhibit or confirmation hereof;

"Approved Location" means the site for the operation of the Franchised Business selected by Franchisee and approved in writing by Franchisor;

"Approved Supplier(s)" means only those companies, and vendors who provide the services, product items, supplies, signs, equipment and other items and services Franchisor from time to time approves (and which are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards. Franchisor shall provide Franchisee, in the Manual or other written or electronic form, with a list of Approved Suppliers. Further description and requirements can be found in the terms contained in Section 13.1;

"National Marketing Fund" means the collective fund supplied by the National Marketing Fund Contributions by all Franchisees which allows the Franchisor to establish and administer national marketing, pursuant to the terms in Section 11.3, shall have the same meaning as the term Marketing Fund and each may be interchanged throughout this Agreement;

"National Marketing Fund Contribution" means paying Franchisor Two percent (2), beginning the 13th month following the date the franchised business is open to the public, billed and collected by ACH from the Electronic Depository Transfer Account, for the previous week ending the last full day of the preceding week, which will be credited to the collective franchisee Marketing Fund, pursuant to the terms in Section 3.3, often referred to as Marketing Fund Contributions;

"Competitive Business" means any business that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) education and enrichment services that are offered or supplied by BUE franchisees at the date of Franchisee's termination or separation from Franchisor, which are the same as or similar to those provided by BUE™ Businesses or in which Trade Secrets or other Confidential Information could be used to the disadvantage of Franchisor, any Affiliate or BUE's other franchisees; provided, however, that the term "Competitive Business" shall not apply to (a) any business operated by Franchisee under a franchise agreement with Franchisor, (b) any business operated by a publicly-held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest, (c) any business operated by Franchisee or its Affiliate(s) that has been disclosed, in writing, to Franchisor prior to the Effective Date of this Agreement, or (d) any business such as a marketing or scheduling company whose primary business is not affiliated with the gourmet coffee drinks and specialty beverages industry;

"Confidential Information" means technical and non-technical information used in or related to BUE™ Businesses and not commonly known by or available to the public, including, without limitation, Trade Secrets and any other information identified as confidential when delivered by Franchisor. Confidential Information shall not include, however, any information established by documentary evidence that: (a) is now or subsequently becomes generally available to the public through no fault of Franchisee; (b) Franchisee can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information;

"Cooperative Advertising" means the combined advertising program more than one (1) franchisee established within a common market for BUE™ Businesses within a particular region;

"Covered Person" means (i) the individual executing this Agreement as Franchisee; (ii) each officer, director, shareholder, member manager, trustee, or general partner of Franchisee and each Franchisee Affiliate if Franchisee is a Business entity; and (iii) the spouse, adult children, parents or siblings of the individuals included in (i) and (ii). Covered Person shall mean an individual who falls within the identified categories where on the Effective Date or later during the Term of this Agreement, and all successive Renewal Agreements;

"Customer(s)" means any person or entity that purchases or receives good or services from Franchisee, as applicable;

"District Manager" means the person designated in writing by Franchisee and approved in writing by Franchisor who has primary responsibility for managing the day-to-day affairs of the Franchised Business, also known as "Designated Director", and if Franchisee is an individual and not a business entity, the **District Manager** shall be the Franchisee;

"Effective Date" means the date set forth in the introductory paragraph of this Agreement which commences this Agreement's effectiveness and term;

"Electronic Depository Transfer Account" means an account established at a national banking institution approved by Franchisor and providing Franchisor with access to electronically withdraw any funds due Franchisor;

"Former Franchisee" means any BUE franchisee(s) that have been terminated or whose Franchise Agreements have expired naturally under the terms of those Franchise Agreements.

"Franchise" means the right granted to Franchisee by Franchisor to use the System and the Marks, while not in Default;

"Initial Fee" means upon execution of this Agreement, unless otherwise stated in the State Addendum attached, paying Franchisor an Initial Fee of $39,000.00.

The Initial Fee also includes Franchisee's Starter Kit of Opening Inventory and Materials valued at approximately Five Thousand Dollars and 00/100 ($5,000.00) worth of items;

"Franchised Business" means the BUE™ Business to be established and operated by Franchisee pursuant to this Agreement;

"Franchisee" means the individual or entity defined as "Franchisee" in the introductory paragraph of this Agreement;

"Franchisor" means BUE Franchising, LLC;

"Franchisor Indemnitees" means Franchisor, any Affiliate, all holders of a legal or beneficial interest in Franchisor and/or any corporate parent, any corporate subsidiaries, affiliates, successors, assigns, and designees of either entity and their respective directors, officers, employees, agents, shareholders, designees, and representatives of each, members, partners, owners, employees, agents, successors and assigns as further discussed in Section 21.3;

"Gross Sales" means the aggregate of all income and monthly fees Franchisee receives from Customers for the purchase or provision of any goods or services, including enrollment fees, or any other person or business entity for the Franchised Business in connection with the Franchised Business (whether or not in accordance with the terms of the Franchise Agreement) and whether for check, cash, credit or otherwise, from the sale of products and services (including service charges in lieu of gratuity) regardless of the dollar amount Franchisee sells each product or service for, including, without limitation, all proceeds from any business interruption insurance, but excluding (a) all insurance payments, check, cash, credit or debit card refunds made in good faith provided, prior to granting the refunds, the revenue related to the refunds was included in Gross Sales, (b) any sales and equivalent taxes that Franchisee collects for or on behalf of and pay to any governmental taxing authority, and (c) any rebate Franchisee receives from a manufacturer or supplier;

"Gross Sales Reports" has the meaning given to such term in Section 12.2;

"Incapacity" means the inability of Franchisee to operate or oversee the operation of the Franchised Business on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

"Internet" means any one (1) or more local or global interactive communications media that is now available, or that may become available, including, but not limited to, sites and domain names on the World Wide Web (1) and (2);

"Intranet Fee" means the weekly maintenance fee of Ten Dollars And 00/100 ($10) to maintain the intranet, online reservations platform, and payment processing systems, further discussed in Section 3.6.

"Local Advertising" means the services required to fulfill Franchisee's local marketing requirements through Franchisee's own effort or by contracting with an Approved Supplier, if any. Marketing methods utilized may include but not be limited to those contained within the Manual, and approved advertising materials such as Newspaper ads, Direct Mail, Coupon Direct Mail Coops, Print Media and Business to Business marketing efforts within Franchisees Protected Non-Exclusive Territory. Requirements for Local Advertising are further discussed in Section 11.2;

“Manual” means the BUE Operations Manual(s), whether in paper or electronic form, and any other items as may be provided, added to, changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration and managers’ manuals and all books, computer programs, password-true portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor;

“Marketing Fund”, shall have the same meaning as National Marketing Fund;

“Marketing Fund Contributions”, shall have the same meaning as National Marketing Fund Contributions;

“Marks” means the trademark “Bottoms Up Espresso” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings, patents and other commercial symbols as Franchisor may designate to be used in connection with BUE™ Businesses, whether or not registered or recognized by the U.S. Patent and Trademark Office, or any other Agency no matter where located. Registered Marks are shown on Exhibit 6 attached hereto;

“Minimum Sales Volume” means Franchisee’s minimum annual Gross Sales, pursuant to the terms in Section 2.7;

"Money Flow" is utilized to describe how the Franchisee gets paid and pays its fees under this Agreement;

“Opening Advertising” has the meaning given to such term in Section 11.1;

“Grand Opening Advertising” means the Grand Opening Celebration cost of Two Thousand Dollars and 00/100 ($2,000.00) for Franchisees location and the meaning given to such term in Section 8.2;

“Protected Territory” has the meaning given to such term in Section 2.5, as well as Exhibit 11;

“Royalty Fee” means paying Franchisor six percent (6%) of Gross Sales per week by ACH from the Electronic Depository Transfer Account every Monday, for the previous week ending the previous reporting period, pursuant to the terms in Section 3.2;

“Social Media” means online content created by individuals and/or entities using highly accessible and scalable publishing technologies through their desktop computer, laptop computer, smart phones, mobile phone or by other means available in the future. Social Media allows individuals and/or entities to connect in the online world to form relationships for personal and business use. The definition of Social Media includes user-generated content and consumer-generated media. Social Media occurs in many different forms, including, but not limited to, Internet forums, weblogs, social blogs, wikis, podcasts, pictures and videos. Technologies for Social Media include, but are not limited to: blogs, picture-sharing, vlogs, wall-postings, e-mail, instant messaging, music-sharing, crowdsourcing, and voice over IP, to name a few. Some examples of Social Media sites and/or applications are Google Groups (reference, social networking), Wikipedia (reference), MySpace (social networking), Facebook (social networking), MouthShut.com and yelp.com (product reviews), Youmeo (social network aggregation), YouTube (social networking and video sharing), Avatars United (social networking), Second Life (virtual reality), Flickr (photo sharing), Twitter (social networking and microblogging), LinkedIn (business social media),Open Diary (blogging) and other microblogs such as Twitter or others. This list is not inclusive and shall mean all Social Media available now and created in the future;

“Software Fee” means a weekly maintenance fee of Ten Dollars And 00/100 ($10.00) to maintain the POS system for your Location;

“System” means the trade dress, uniform standards, methods, procedures and specifications developed by Franchisor and as may be added to, changed, modified, withdrawn or otherwise revised by Franchisor for the operation of BUE™ Businesses. The BUE™ System is for the operation of a unique business dealing in education and enrichment services. The BUE system includes among other things, confidential operating procedures, a management program, and accounting procedures;

"Termination Date" also known as Date of Termination, means the date when the Franchisee no longer has time to cure any Defaults under this Agreement, pursuant to Article 16;

“Transfer Fee” means paying the Franchisor Ten Thousand Dollars and 00/100 ($10,000.00) for transferring your Franchise to another individual or entity. Further described in Section 18.2;

“Trade Secrets” means information in any form (including, but not limited to, technical or non-technical data, know-how, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in BUE™ Businesses that is not commonly known by or available to the public and that information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy;

"Transferee" means the individual or entity third party buyer, who purchases this Franchise Agreement if the Franchisee chooses to sell.

ARTICLE 2 - GRANT OF EXCLUSIVE FRANCHISE

Section 2.1 Grant of Franchise

Franchisor hereby grants to Franchisee, and Franchisee undertakes and accepts, upon the terms and conditions herein contained, a revocable, limited license to operate one BUE™ Business using the System and Marks.

Section 2.2 Location of Your BUE Franchise

Subject to all of the terms and conditions herein, Franchisor grants to Franchisee the non-exclusive right and license to operate a Franchise Business using the System and the Marks solely within the Territory described in Section 2.5 (the "Location"), which Location must be pre-approved by Franchisor according to its then-current criteria, and Franchisee hereby accepts such right and license subject to such terms and conditions and undertakes to operate the Franchise Business and to use the System and Marks solely in connection therewith. The rights and license herein granted are sometimes referred to in this Agreement as the "Franchise" or the "Franchise Business."

Section 2.3 Approved Location Not Determined

If the Approved Location of the Franchised Business is not determined as of the Effective Date, then Franchisee shall have up to Fourteen (14) days to propose a location to Franchisor for approval. If Franchisor does not deny Franchisee's proposed location within fourteen (14) calendar days, the location shall be deemed approved. If you receive a denial from us, you must submit a new location until approved. When the Approved Location is determined, its description shall be inserted into Section 2.5. Subject to other provisions of the Agreement, the failure to insert such description shall not automatically affect the enforceability of this Agreement.

Section 2.4 Sub-franchising/ Agents

Franchisee shall not sublicense the use of the System or Marks to any person or entity to perform any part of Franchisee's rights or obligations licensed herein, or to grant any person or entity the right to act as Franchisee's agent to perform any part of Franchisee's rights or obligations herein.

Section 2.5 The Protected Non-Exclusive Territory

So long as this Agreement is in force and effect and Franchisee is not in default under any of the terms hereof, subject to Franchisor's reservation of rights set forth in Section 2.6, Franchisor shall grant to Franchisee a Protected Non-Exclusive Territory that will be delineated by a geographic area extending no greater than a 1 mile diameter around Franchisee's BUE Business.

After the Premises are approved, Franchisor will describe the Territory in Exhibit 11.

Franchisee is restricted from directly soliciting or advertising outside of Franchisee's Protected Non-Exclusive Territory, including Franchisee may not advertise on the Internet without our prior written consent.

Section 2.6 Franchisor's Reservation of Rights

Except to the extent provided in Section 2.2, Franchisor retains all of its rights and control with respect to the System and Marks, including the right to:

i. Establish, own or operate, or continue to own or operate, and license others to establish, own or operate, or continue to own or operate, BUE™ Businesses outside of the true;

ii. Establish, own or operate, and license others to establish, own or operate, or continue to own or operate, other businesses under other systems using other trademarks at locations inside and outside of the true;

iii. Purchase or otherwise acquire the assets or controlling ownership of one (1) or more businesses identical or similar to the Franchised Business (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Protected Non-Exclusive Territory. If Franchisor purchases or acquires franchises or licenses, Franchisor may, in its sole discretion, act as franchisor or licensor with respect to such franchisees or licensees wherever located, pursuant to the individual franchise or license agreement(s) between Franchisor and such franchisee(s) or licensee(s). If Franchisor purchases or acquires such businesses within the Protected Non-Exclusive Territory which are not franchised or licensed, Franchisor may, in its sole discretion:

- Offer to sell any such businesses to Franchisee or to any third party at the business's fair market value to be operated as an BUE™ Business; or

- Offer Franchisee the opportunity to operate such business(s) in partnership with Franchisor (or an Affiliate) under the business(s) existing trade name or a different trade name.

iv. Be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises and/or licenses Competitive Businesses within the Protected Non-Exclusive Territory;

v. Sell any products authorized for BUE™ Businesses using the Marks or other trademarks and commercial symbols through alternate channels of distribution, such as joint marketing with partner companies, Internet sales and catalog sales; provided, however, that no such sales shall be made to any Competitive Business within the Protected Non-Exclusive Territory; and

vi. Engage in any activities not expressly forbidden by this Agreement.

Section 2.7 Diligence and Best Efforts

Franchisee shall diligently and fully exploit the rights in this Agreement by personally devoting best efforts, and in the case more than one individual has executed this Agreement as Franchisee, the individual so designated in this Agreement shall personally devote his or her best efforts towards the operation of the Franchised Business, or provide for full time management, trained and approved by the Franchisor, to manage the Franchised Business. The continued right of Franchisee's Protected Non-Exclusive Territory does depend on Franchisee's minimum gross sales. Franchisee must meet or exceed Thirty-Five Thousand Dollars and 00/100 ($35,000) per month in Gross Sales after the first year you are in operation and will increase by five percent (5%) every month for every year thereafter.

ARTICLE 3 - FEES

Section 3.1 Initial Fee

Franchisee must pay Franchisor an Initial Fee of $39,000.00 as set forth below to secure Franchisees chosen Territory, which includes the Training and use of the Confidential Information fees to purchase a Single Unit Franchise, along with Franchisees Starter Kit of Opening Inventory and Materials valued at approximately Five Thousand Dollars and 00/100 ($5,000.00) worth of items.

Franchisee will pay the Initial Fee, which is due upon signing this Franchise Agreement, unless modified by a State Addendum attached at Exhibit 5 to this Franchise Agreement.

Section 3.2 Weekly Royalty and Curriculum Fees

On the Monday of each Week, for so long as this Agreement shall be in effect, Franchisee shall pay to Franchisor through deductions from Gross Sales without offset, credit or deduction of any nature, Weekly Royalty Fees for the previous Week ending the Sunday of the preceding Week due to Franchisor. Each Week Royalty Fee shall follow a Gross Sales Report, as required by Section 12.2, for the same period. Franchisor currently requires Franchisee to pay Royalty Fees through ACH transfer from Electronic Depository Transfer Account, as set forth in Section 3.5, however, if Franchisee uses an Approved Vendor for billing and collection, Franchisor may collect Royalty Fees directly from the Approved Vendor.

Section 3.3 National Marketing Fund Contribution

Franchisee shall be required to contribute their National Marketing Fund Contribution Weekly to the Marketing Fund on Monday of the Week for so long as this Agreement shall be in effect. Each Week National Marketing Fund Contribution shall follow a Gross Sales Report, as required by Section 12.2. Franchisor may adjust the Marketing Fund Contribution amount from time to time, in its sole discretion, but any total adjustment shall not exceed a raise of more than One percent (1%) yearly over the term of this Agreement. Franchisor shall notify Franchisee at least thirty (30) days before implementing or changing the Marketing Fund Contribution requirements. The Marketing Fund shall be maintained and administered by Franchisor or its designee in accordance with the provisions contained in Section 11.3.

Section 3.4 Taxes

Franchisee shall pay to Franchisor an amount equal to all sales taxes, use taxes and similar taxes imposed on the fees payable by Franchisee to Franchisor herein and on services or goods furnished to Franchisee by Franchisor at the same time as Franchisee remits such fees to Franchisor, if any taxing authority imposes such taxes on Franchisor, whether such services or goods are furnished by sale, lease or otherwise, unless the tax is an income tax assessed on Franchisor for doing business in the state where the Franchised Business is located.

Franchisee will promptly pay, when due, all taxes required by any federal, state or local tax authority including unemployment taxes, withholding taxes, sales taxes, use taxes, income taxes, tangible commercial personal property taxes, real estate taxes, intangible taxes and all other indebtedness incurred in the conduct of Franchisee's BUE Business. Franchisee agrees it will not permit a tax sale or seizure by levy or execution or similar writ or warrant or attachment by a creditor to occur against the location or any asset used in Franchisee's BUE Business.

Section 3.5 Electronic Transfer

Franchisor has sole discretion to determine and change the method by which Franchisee pays to franchisor any and all amounts due to Franchisor under this Agreement. Currently, Franchisor requires all Royalty Fees, National Marketing Funds, and other amounts due from Franchisee to Franchisor to be paid either (a) through an Electronic Depository Transfer Account or (b) by Franchisee electronically transferring to Franchisor any funds due Franchisor. Within thirty (30) weeks after successfully completing training, but no later than fifteen (15) days prior to opening the Franchised Business, Franchisee shall open and maintain an Electronic Depository Transfer Account ("ACH") and shall provide Franchisor with continuous access to such account for the purpose of receiving any payments due to Franchisor, by signing and returning the ACH Withdrawal Form attached as Exhibit 8. Franchisee will give its financial institution instructions, in a form Franchisor provides or approves, and will obtain the financial institutions agreement to follow these instructions. Franchisee will provide Franchisor with copies of these instructions and agreements. The financial institution's agreement may not be withdrawn or modified without Franchisor's written approval, which approval is within Franchisor's sole discretion. Franchisee will also sign all other forms for fund transfers as Franchisor or the financial institution may request.

Franchisor may require Franchisee's financial institution to send a monthly statement of all activity in the designated account to Franchisor at the same time it sends statements to the Franchisee. Franchisor may further require Franchisee's financial institution to send any other reports of activity in the Franchisee's Operating Account to Franchisor as Franchisor reasonably determines and requests. Franchisee shall execute any documents Franchisor's or Franchisee's bank requires to establish and implement the Electronic Depository Transfer Account.

If Franchisee maintains any other bank accounts for the Franchised Business, Franchisee must identify these accounts to Franchisor and provide Franchisor with copies of the monthly statements for all of these accounts and the details of all deposits and withdrawals to those accounts along with access to those accounts as set forth in the above paragraphs.

Every week, Franchisee shall make timely deposits to the account sufficient to cover amounts owed to Franchisor prior to the date such amounts are due. Franchisee shall execute any documents Franchisor's or Franchisee's bank requires to establish and implement the Electronic Depository Transfer Account. Once established, Franchisee shall not close the Electronic Depository Transfer Account without Franchisor's written consent and the establishment of a replacement Electronic Depository Transfer Account.

Section 3.6 Intranet Fee

On the Monday of each Week, for so long as this Agreement shall be in effect, Franchisee shall pay to Franchisor through deductions from Gross Sales without offset, credit or deduction of any nature, the Weekly Intranet fee for the previous week ending the Sunday of the preceding week. In addition, Franchisor requires Franchisee to purchase through an approved supplier the approved point of sale system ("POS"). Franchisee will be responsible for any ongoing upgrades or updates to the POS, ongoing maintenance packages, and computer and software packages after installation.

Franchisee shall: (1) use proprietary software programs, as may be developed and prescribed by Franchisor, including system documentation manuals and other proprietary materials now and hereafter developed by Franchisor, in connection with the operation of the Business; (2) execute Franchisor's standard software license agreement, if necessary; (3) input and maintain in Franchisee's computer such data and information as Franchisor prescribes in the Manuals, software programs, documentation or otherwise; and (4) purchase new, different or upgraded software programs, system documentation manuals and other proprietary materials at then-current prices (except as provided in this Section), whenever Franchisor adopts such new, different or upgraded programs, manuals and materials system-wide; provided that, with respect to any required purchase of new, different or upgraded software programs (i) Franchisee shall be required to purchase any such program only after it has been tested and implemented in Franchisor-owned Businesses, if any such Businesses then exist, and (ii) Franchisee shall be notified of the required purchase no less than thirty (30) days before Franchisee is required to implement the program.

Franchisor has the right to independently access all information collected or compiled by or in accordance with Franchisee's use of any of the software packages at any time without first notifying Franchisee. Franchisee must update or upgrade any and all hardware and software as Franchisor deems necessary.

Franchisor requires that Franchisee have a business telephone, telephone line, facsimile and phone service. Franchisee shall pay third party providers for phone service and systems.

Section 3.7 Late Fees

Although each failure to pay monies when due is an Event of Default, to encourage prompt payment and to cover the costs involved in processing late payments or where Franchisee's bank account has insufficient funds, if any payment under this Agreement or any other agreement between Franchisor or its Affiliates and Franchisee for the Franchised Business is overdue for any reason or if Franchisee's bank account has insufficient funds to cover any payment due, Franchisee must pay to Franchisor, in addition to the original amount due, a late fee of One Hundred Fifty Dollars and 00/100($150.00) . If any fee owed by Franchisee is overdue by more than seven (7) calendar days after notice has been sent by Franchisor, Franchisor may immediately terminate this Agreement.

Franchisee shall pay Franchisor for all costs incurred by Franchisor in the collection of any unpaid and past due Royalty Fees, National Marketing Funds or any other amounts due Franchisor, including reasonable accounting and collection fees. This Section shall not constitute an agreement by Franchisor to accept any payments after the due date or a commitment by Franchisor to extend credit to or otherwise finance Franchisee.

Section 3.8 Application of Payments

No payment by Franchisee or acceptance by Franchisor of any monies under this Agreement for a lesser amount than due shall be treated as anything other than a partial payment on account. Any endorsement, statement or communication by Franchisee to the effect that Franchisee's payment of a lesser amount than due constitutes full payment shall be given no effect and Franchisor may accept the partial payment without prejudice to any rights or remedies it may have against Franchisee. Franchisor's acceptance of payments by Franchisee other than as set forth in this Agreement shall not constitute a waiver of Franchisor's right to demand payment in accordance with the requirements of this Agreement. Notwithstanding any designation by Franchisee, Franchisor shall have the right to apply any payments by Franchisee to any past due indebtedness of Franchisee for Royalty Fees, National Marketing Funds, purchases from Franchisor or its Affiliates, or any other amount owed to Franchisor in any proportion or priority. Franchisor's acceptance of payment from any entity other than the named Franchisee shall be deemed to be payment by the named Franchisee and shall not be deemed to be recognition or substitution of the paying entity for the named Franchisee.

Section 3.9 No Withholding

Franchisee agrees that under no circumstances will franchisee withhold or suspend payment of, or reduce the amount of the Royalty Fee, National Marketing Funds or purchases payable under this Agreement.

ARTICLE 4 - TERM OF AGREEMENT AND RENEWAL

Section 4.1 Initial Term

This Agreement shall take effect as of the date of the execution hereof (the "Effective Date"), and the initial term ("Initial Term") hereof shall extend until the earlier of (1) the date that is precisely ten (10) years from the Effective Date, or (2) the date on which this Agreement terminates pursuant to Section 16 hereof, or (3) the expiration of Franchisee's lease of the Location.

Section 4.2 Renewal

Subject to the conditions below, Franchisee has the right to obtain a successor franchise at the expiration of the term of this Agreement by entering into a new Franchise Agreement with Franchisor and paying the Renewal fee equal to fifty percent (50%) of the then current Initial Fee. Franchisee's right to a successor franchise is limited to one (1) successive term of 10 years ("Renewal Term"). To qualify for a successor franchise, each of the following conditions must have been fulfilled and remain true as of the last day of the term of this Agreement:

i. Franchisee shall give Franchisor written notice of such election to renew not less than Nine (9) months prior to the end of the Initial Term;

ii. Franchisee shall schedule to attend a refresher training and certification course with Franchisor at Franchisor's next available training;

iii. At least ninety (90) days prior to the expiration of the Initial Term, Franchisor shall have the right to inspect the Location and give notice of all required maintenance, refurbishing, renovating, and remodeling and Franchisee shall agree to complete at its expense and to Franchisor's satisfaction, all maintenance, refurbishing, renovating, and remodeling required by Franchisor's notice no later than thirty (30) days after expiration of the Initial Term;

iv. Franchisee shall not be in material default of any provision of this Agreement, or any amendment hereof, and shall at all times have substantially complied with all the terms and conditions of this Agreement during the term hereof or fully cured all Noticed Default(s);

v. Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor and its subsidiaries and affiliates and shall have timely met such obligations throughout the Initial Term;

vi. Not less than sixty (60) days prior to the expiration of the Initial Term, Franchisee shall execute the then-current form of Franchise Agreement being used by Franchisor, which may have terms that are materially different than the terms of the then-current Franchise Agreement;

vii. Franchisee shall comply with Franchisor's then-current criteria for operation of a Franchise Business;

viii. Franchisee shall submit themselves and any District Manager(s) to background checks, and submit the results to Franchisor for recordkeeping prior to the natural end of the Initial Term;

ix. Both parties shall execute a general release of all claims against each other which accrued or may have accrued during the Term, whether or not such claim had yet been discovered by the parties; and

x. Franchisee shall present evidence satisfactory to Franchisor that it has the right to remain in possession of the Location, has valid Licenses, received Child Protective Services clearance, passed new Background Checks or another suitable location or licensure needs approved by Franchisor according to its then-current criteria for the duration of the Option Term;

xi. Franchisee shall submit written documentation establishing that all certifications required during the Initial Term are in good standing and shall remain in good standing for the duration of the Option Term.

The Initial Term and any Option Term collectively may be referred to herein as the "Term" of this Agreement.

ARTICLE 5 - APPROVED LOCATION

Section 5.1 Selection of Site

Franchisee shall promptly select a site for the Franchised Business and shall notify Franchisor of such selection by submitting Franchisor's Site Selection form with all supporting data and attachments. If Franchisor approves such selection, the site shall be designated as the Approved Location. If Franchisor does not approve of such selection, Franchisee shall select and notify Franchisor of new sites until Franchisor approves a site for the Franchised Business. Franchisor shall provide Franchisee with general guidelines to assist Franchisee in selecting a site suitable for the Approved Location. Franchisor has the right to approve or disapprove a proposed location based on such factors as it deems appropriate, including, without limitation: the condition of the premises; demographics of the surrounding area; proximity to other BUE ™ Businesses and competitors; lease requirements; proximity to the proximity to highway and freeway entrances, places that are heavy in commuter traffic, along the route of traffic flows, or similar business destinations that attracts large amounts of potential customers that are; and overall suitability. Franchisor shall notify Franchisee of its approval or disapproval of a proposed site within fourteen (14) calendar days after Franchisor receives all requested information from Franchisee. If the Franchisor fails to respond in writing to the Selection of Site request within fourteen (14) calendar days, the site is deemed approved.

Franchisor does not represent that it, or any of its Affiliates, owners or employees, have special expertise in selecting sites. Neither Franchisor's assistance nor its approval is intended to indicate or indicates that the Franchised Business will be profitable or successful at the Approved Location. Franchisee is solely responsible for identifying the Approved Location and assumes all risks with respect to the selection of the Approved Location.

Section 5.2 Failure to Select a Site

Franchisee will continue selecting sites until the Franchisor has approved the site to be the Approved Location for Franchisee..

Section 5.3 Lease of Approved Location

Franchisor will coordinate with Franchisee and our then current approved Commercial Broker, CCIM / vendor to assist Franchisee in locating an appropriate location for Franchisee's business within the Territory. Franchisee shall have the option to hire the Commercial Broker for negotiation and other services for the commercial lease or commercial purchase. After the CCIM and Franchisee locate the best 1-3 locations, Franchisor shall have final approval, prior to the location being designated as the Approved Location.

After the designation of the Approved Location (and if the site is to be leased or purchased), Franchisee shall execute a lease for, or a binding agreement to purchase, the Approved Location, the terms of which must have been previously approved by Franchisor in writing. Franchisor shall not unreasonably withhold its approval.

After the designation of the Approved Location (and if the site is to be leased or purchased), Franchisee shall execute a lease for, or a binding agreement to purchase, the Approved Location, the terms of which must have been previously approved by Franchisor in writing. Franchisor shall not unreasonably withhold its approval.

Franchisor's review of a lease or purchase agreement, or any advice or recommendation offered by Franchisor, shall not constitute a representation or guarantee that Franchisee will succeed at the Approved Location nor constitute an expression of Franchisor's opinion regarding the terms of such lease or purchase agreement.

Franchisor shall be entitled to require that nothing therein contained is contradictory to, or likely to interfere with, Franchisor's rights or Franchisee's duties under this Agreement. Franchisee shall take all actions necessary to keep the lease, if any, of the Approved Location in full force while this Agreement is in effect. Any default for which the lease may be terminated shall also be deemed a default of this Agreement and the time to cure the same shall expire when the lease is terminated. Franchisor has the right to require that the lease for the Approved Location be collaterally assigned by Franchisee to Franchisor, pursuant to the terms of its standard collateral assignment of lease form, to secure performance by Franchisee of its obligation under this Agreement. Franchisor's approval of a lease shall be conditioned upon Franchisee's and the Landlord's execution of the Lease Addendum attached as Exhibit 12.

Section 5.4 Development of Approved Location

Franchisor shall make available to Franchisee, at no charge to Franchisee, copies of standard plans, but not blueprints, for the development of a BUE™ Business, including exterior and interior design and layout, fixtures, equipment, décor and signs, if a build-out is required at the Approved Location. Such standard plans and specifications as well as Franchisee's particular plans and specifications are subject to alteration as Franchisor deems necessary, or as Franchisee's local or state law requires. Franchisee shall cause the Approved Location to be developed, equipped and improved in accordance with such plans within one hundred eighty (180) days after the Effective Date. In connection with the development of the Approved Location, Franchisee shall:

i. employ an approved competent licensed architect or engineer;

ii. obtain all zoning classifications and clearances which may be required by state and local laws, ordinances or regulations;

iii. obtain all building, utility, sign, health, and business permits and licenses, and any other permits and licenses required for the build-out and operation of the Franchised Business and certify in writing and provide evidence to Franchisor that all such permits and certifications have been obtained;

iv. employ a qualified, licensed general contractor to complete construction of all required improvements to the Approved Location;

v. purchase any supplies or inventory, necessary for the operation of the Franchised Business;

vi. purchase and install all equipment, signs, furniture and fixtures, including any computer equipment and Point of Sale systems, required for the operation of the Franchised Business from Approved Suppliers;

vii. install outdoor signage in compliance with Franchisor's then current specifications;

viii. provide a monthly written report to Franchisor, on Franchisor's prescribed form, describing the activities begun, completed and, if not completed, the percentage completed in connection with the development of the Approved Location; and

ix. establish a persistent broadband with a minimum download speed of 756 kbps and a minimum upload speed of 256 kbps with static Internet protocol address or a persistent high-speed Internet access with a minimum download speed of 756 kbps and a minimum upload speed of 256 kbps and obtain at least two (2) telephone numbers and one (1) facsimile number solely dedicated to the Franchised Business.

If Franchisee is unable to commence the operation of the Franchised Business due to circumstances beyond Franchisee's reasonable control, then Franchisee may be entitled to such additional time as may be reasonably required and as to which Franchisor may consent, provided such request for extension is provided to Franchisor in writing at least sixty (60) days after the Effective Date.

Section 5.5 Failure to Develop Approved Location

Should Franchisee fail to develop the Approved Location for the Franchised Business within one hundred eighty (180) days after the Effective Date, Franchisor has the right to terminate this Agreement with no refund to Franchisee of any amounts.

Section 5.6 Opening

Before opening the Franchised Business and commencing business, Franchisee must:

i. fulfill all of its obligations pursuant to the other provisions of this Section 5.6;

ii. furnish Franchisor with copies of all insurance policies required by this Agreement and by the lease (if the Approved Location is leased), or such other evidence of insurance coverage and payment of premiums as Franchisor may request;

iii. complete initial training to the satisfaction of Franchisor;

iv. hire and train the personnel necessary or required for the operation of the Franchised Business;

v. obtain all necessary permits and licenses;

vi. purchase all Opening Project inventory not purchased pursuant to Section 5.4, as stated in Section 8.2;

vii. if Franchisee is a business entity, Franchisee has caused each of its stock certificates or other ownership interest certificates to be conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that such ownership interest is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and

viii. pay in full all amounts due to Franchisor, or execute the Promissory Note if applicable for any amounts due Franchisor.

Franchisee shall comply with these conditions and be prepared to continuously operate the Franchised Business within 90 - 180 days, for a leased location, or 90 - 180 days, for a build-out location, or have the Soft Opening within ninety (90) days, if a leased location, or one hundred twenty (120) days, if building a location, after the Effective Date. Franchisee shall have the Grand Opening approximately three (3) days after the Soft Opening. Time is of the essence.

Section 5.7 Use of Approved Location

Franchisee shall not use the Approved Location for any purpose other than for the operation of a BUE™ Business in full compliance with this Agreement and the Manual.

Franchisor may use Franchisee location as a training facility upon notice. If Franchisor elects to use the Franchised Business for training, Franchisor shall provide to Franchisee, in lieu of payment, which shall be considered payment in full, for use of the facilities: 1) the ability for Franchisee to enroll Franchisee's employees or contractors into the training class being taught by Franchisor at Franchisee's location; and 2) the next quarter's Intranet Fee free of charge. There is no limit on the number of times during this Agreement that Franchisor may use the Franchised Business.

Section 5.8 Relocation

Franchisee shall not relocate the Franchised Business without the prior written consent of Franchisor. If the lease for the Approved Location expires or terminates through no fault of Franchisee or if the Franchised Business's premises is destroyed, condemned or otherwise rendered unusable or as otherwise may be agreed upon in writing by Franchisor and Franchisee, Franchisor may allow Franchisee to relocate the Franchised Business. Any such relocation shall be at Franchisee's sole expense, and shall proceed in accordance with the requirements set forth in Sections 5.1 through 5.6 with the timeframes set forth therein, modified in the sole discretion of the Franchisor, to reflect the new circumstances. Franchisor has the right to charge Franchisee for any costs incurred by Franchisor in providing assistance to Franchisee, including, but not limited to, legal and accounting fees. Notwithstanding the foregoing, Franchisor has no obligation to provide relocation assistance. If no relocation site meets with Franchisor's approval, this Agreement shall terminate as provided in Section 16.4.

ARTICLE 6 - PROPRIETARY MARKS

Section 6.1 Ownership

Franchisee's right to use the Marks is derived solely from this Agreement, is nonexclusive and is limited to the conduct of business by Franchisee pursuant to, and in compliance with, this Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by Franchisor including those set forth in the Manual. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. Franchisee's use of the Marks, and any goodwill created thereby, shall inure to the benefit of Franchisor. Franchisee shall not at any time acquire an ownership interest in the Marks by virtue of any use it may make of the Marks. This Agreement does not confer any goodwill, title or interest in the Marks to Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks.

Section 6.2 Limitations on Use

Franchisee must use the Marks as the sole trade identification of the Franchised Business, and in accordance with Exhibit 6, attached hereto. Franchisee shall not use any Mark or portion of any Mark as part of any business entity name. Franchisee shall obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a Franchised Business, for example, Jane Doe d/b/a Bottoms Up Espresso of [Your Location]. Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give advanced written notice to Franchisor before filing applications for trademark and/or service mark registrations. Franchisee shall obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a Franchised Business. Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to Franchisee. Franchisee shall include on its letterhead, forms, cards and other such identification, and shall display at the Approved Location, a prominent notice stating that the Franchised Business is an "Independently Owned and Operated "Bottoms Up Espresso" of BUE Franchising, LLC.

Franchisor has the sole right to maintain Social Media sites and/or applications including, but not limited to: Twitter, Facebook, LinkedIn and other sites or applications that Franchisor may establish. Franchisor does not allow Franchisee to establish or utilize Social Media sites or applications for business purposes. Franchisee and Franchisee's employees do not have the right to utilize the Marks on any Social Media sites and/or applications, even if made from a personal Social Media account. Further, any representations from Franchisee or Franchisee's employees regarding Franchisee's profits or earnings made on any Social Media site or application, even if made from a personal Social Media account, is deemed a breach of Confidential Information under this Franchise Agreement.

Section 6.3 Notification of Infringements and Claims

Franchisee shall immediately notify Franchisor of any infringement of the Marks or challenge to its use of any of the Marks or claim by any person of any rights in any of the Marks. Franchisee shall not communicate with any person other than Franchisor and Franchisor's counsel in connection with any such infringement, challenge or claim; provided, however, Franchisee may communicate with Franchisee's counsel at Franchisee's expense. Franchisor has the right to take such action as it deems appropriate and the right to exclusively control any settlement, litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks. Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of Franchisor's counsel, be necessary or advisable to protect and maintain Franchisor's interests in any such litigation or other proceeding or to otherwise protect and maintain Franchisor's interest in the Marks.

Section 6.4 Indemnification for Use of Marks

Franchisor shall reimburse Franchisee for all expenses reasonably incurred by Franchisee in any trademark or similar proceeding disputing Franchisee's authorized use of any Mark, provided Franchisee has timely notified Franchisor of such proceeding, agreed to be a witness in any legal proceeding and has complied with this Agreement and Franchisor's directions in responding to such proceeding. At Franchisor's option, Franchisor or its designee may defend and control the defense and settlement of any proceeding arising directly from Franchisee's use of any Mark. This indemnification shall not include the expense to Franchisee for removing signage or discontinuance of the use of the Marks. This indemnification shall not apply to litigation between Franchisor and Franchisee wherein Franchisee's use of the Marks is disputed or challenged by Franchisor. This indemnification shall not apply to any separate legal fees or costs incurred by Franchisee in seeking independent counsel separate from the counsel representing Franchisor and Franchisee in the event of litigation disputing Franchisor and Franchisee's use of the Marks.

Section 6.5 Discontinuance of Use

If Franchisor deems it necessary for Franchisee to modify or discontinue use of any of the Marks, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor's directions within one (1) weeks after notice to Franchisee by Franchisor and subject to the limitations in Section 13.2. Franchisor shall not be required to reimburse Franchisee for its expenses in modifying or discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified, additional or substitute Mark.

Section 6.6 Right to Inspect

To preserve the validity and integrity of the Marks and any copyrighted materials licensed herein, and to ensure that Franchisee is properly employing the Marks in the operation of the Franchised Business, Franchisor and its designees have the right to enter and inspect the Franchised Business and the Approved Location at all reasonable times and, additionally, have the right to observe the manner in which Franchisee renders services and conducts activities and operations, and to inspect facilities, equipment, accessories, products, supplies, reports, forms and documents and related data to ensure that Franchisee is operating the Franchised Business in accordance with the quality control provisions and performance standards established by Franchisor. Franchisor and its agents shall have the right, at any reasonable time, to remove sufficient quantities of products, supplies or other inventory items offered for retail sale, or used in rendering services, to test whether such products or items meet Franchisor's then-current standards. Franchisor or its designee has the right to observe Franchisee and its employees during the operation of the Franchised Business, to interview and survey clients and employees by any means it chooses, including in person, by secret shoppers, mail, telephone, video conference, the Internet, Social Media or e-mail, and to photograph or video tape or by using web cameras to monitor the premises.

Section 6.7 Franchisor's Sole Right to Domain Name

Franchisee shall not advertise on the Internet using, or establish, create or operate an Internet site or website using a domain name or uniform resource locator containing, the Mark or the words "Bottoms Up Espresso" or any variation thereof without Franchisor's prior written approval. An Affiliate, Bottoms Up Holdings, LLC, is the sole owner of all right, title and interest in and to such domain names as Franchisor shall designate in the Manual including, but not limited to, www.bottomsupespresso.com, which Bottoms Up Holdings, LLC, has licensed to Franchisor the right to utilize the foregoing domain name(s).

ARTICLE 7 - TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION

Section 7.1 Confidentiality of Trade Secrets and Other Confidential Information

Franchisee acknowledges Franchisor owns copyrights in the Manual, Franchisor's website (but not the domain names referred to above), and other copyrightable items that are part of the System. Franchisee acknowledges that while Franchisor claims copyrights in these and similar items, Franchisor has not registered, and is not required to register these copyrights with the United States Registrar of Copyrights. Franchisor shall disclose Trade Secrets and other Confidential Information to Franchisee during the training program, through the Manual, and as a result of guidance furnished to Franchisee during the term of this Agreement. Franchisee shall not acquire any interest in the Trade Secrets or other Confidential Information, other than the right to use it in the development and operation of the Franchised Business and in performing its duties during the term of this Agreement. Franchisee acknowledges that the use or duplication of the Trade Secrets or other Confidential Information in any other business venture would constitute an unfair method of competition. Franchisee acknowledges the Trade Secrets and other Confidential Information are proprietary and are disclosed to Franchisee solely on the condition that Franchisee and any Covered Person: (a) shall not use the Trade Secrets or other Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Trade Secrets and other Confidential Information during and after the term of this Agreement; (c) shall not make any unauthorized copies of any portion of the Trade Secrets or other Confidential Information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use or disclosure of the Trade Secrets and other Confidential Information. Franchisee shall enforce this Section as to its employees, agents, representatives and Covered Persons, and shall be liable to Franchisor for any unauthorized disclosure or use of Trade Secrets or other Confidential Information by any of them. Franchisee shall only divulge Trade Secrets or other Confidential Information to individuals who must have access to it in order to operate the Franchised Business, and shall follow the requirements of Section 7.4 in doing so.

Franchisor claims common law rights, copyright protection and trade dress for the Manual, guidelines, photographs, product names, signage, promotional materials, training materials, this Agreement and any other documents, materials and items for the general ambiance and decor used in the operation of the System and the BUE™ Businesses. All information is proprietary and this Agreement requires Franchisee to keep such information confidential. Franchisee agrees not to contest, directly or indirectly, Franchisor's ownership, title, right or interest in Franchisor's common law rights, copyrights, trade dress, Trade Secrets, Confidential Information, the System, methods, procedures or any other intellectual property rights that are part of Franchisor's System or contest Franchisor's sole right to register, use or license others to use, except as limited by this Agreement, the common law rights, copyrights, trade dress, Trade Secrets, Confidential Information, System, methods, procedures or any other intellectual property rights that are a part of Franchisor's System.

Section 7.2 Additional Developments

All ideas, concepts, know-how, techniques, advertising or materials concerning the System or developed, in whole or in part, using Trade Secrets or other Confidential Information, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, or other Covered Persons, shall be promptly disclosed to Franchisor and shall be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation shall be due to Franchisee or its owners or employees therefore. Further, any advertising materials Franchise submits to Franchisor for review will become Franchisor's property, and Franchisor may use or distribute these materials in any manner Franchisor deems appropriate, without compensation to Franchisee. Franchisor has the right to incorporate such items into the System and/or disclose them to other franchisees and other persons or entities. To the extent any item does not qualify as a "work made-for-hire" for Franchisor, Franchisee shall assign, and by this Agreement, does assign, ownership of that item, and all related rights to that item, to Franchisor and shall sign any assignment or other document as Franchisor requests to assist Franchisor in obtaining or preserving intellectual property rights in the item. Franchisor shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As Franchisor may request, Franchisee shall take all actions to assist Franchisor's efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

Section 7.3 Exclusive Relationship

Franchisee acknowledges that Franchisor would be unable to protect the Trade Secrets and other Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among BUE franchisees if owners of BUE™ Businesses, and Covered Persons were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the term of this Agreement, neither Franchisee nor Covered Persons, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, Limited Liability Company or other business entity, shall:

i. divert or attempt to divert any customer, employee or other business associate of the Franchised Business, Franchisor, its Affiliate(s) or any other franchisee to any Competitive Business or solicit or otherwise attempt to induce or influence any customer, employee or other business associate of any of the foregoing to terminate or modify his, her or its business relationship with the Franchised Business, Franchisor, its Affiliate(s) or any other franchisee, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System; or

ii. own an interest in, manage, operate, or perform services for any Competitive Business wherever located.

Section 7.4 Non-Disclosure and Non-Competition Agreements with Certain Individuals

Franchisor has the right to require Franchisee and any Covered Person to execute a Non-Disclosure and Non-Competition Agreement, in a form the same as or similar to the Non-Disclosure and Non-Competition Agreement attached as Exhibit 2, upon execution of this Agreement or prior to each such person's affiliation with Franchisee. Franchisee shall use the barista specific Non-Disclosure

Non-Compete Agreement contained in the Manual for all their employed or independently contracted baristas, or one substantially similar in terms and compliant with the Franchisee's state law. Upon Franchisor's request, Franchisee shall provide Franchisor with copies of all non-disclosure and non-competition agreements signed pursuant to this Section. Such agreements shall remain on file at the offices of Franchisee and are subject to audit or review as otherwise set forth herein. Franchisor shall be a third party beneficiary with the right to enforce such agreements.

Section 7.5 Reasonableness of Restrictions

Franchisee acknowledges the restrictive covenants contained in this Section are essential elements of this Agreement and without their inclusion; Franchisor would not have entered into this Agreement. Franchisee acknowledges each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, other franchisees, the System and the Marks and Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable.

ARTICLE 8 - TRAINING AND ASSISTANCE

Section 8.1 Initial Training

Franchisor shall make an initial training program available to the Franchisee and its District Manager upon submission of The "Pre-training Request Form." After Franchisee submits a completed Pre-Training Request form and a background check, credit check, requested Territory information, franchised business entity information, and a pre-training test consisting of information from the company's drink and managers manuals. Franchisor will initiate Franchisee's training course.

Franchisor training: Prior to opening the Franchised Business, at a minimum, the Franchisee, the District Manager must successfully complete, to Franchisor's satisfaction, the approximate five (5) calendar day(s) of classroom training and on-the-job initial training program. Instruction pertains to all material aspects of the operation of a BUE ™ Business, including such topics as: BUE mission and principles, establishment of your business structure; legal filings; business licenses; banking and checking accounts; insurance; accounting and legal support; computer system and software installation; set up accounting systems; market research; marketing plan; optional establishment of office lease; employment suggestions; incoming call scripts; office administration; administrative management training; trademark usage guidelines; maintenance of quality standards; customer service techniques; record keeping and reporting procedures; other operational issues; resale, transfer, renewals and assignment training; vendor interaction and ordering, and on-the-job training. Franchisor shall conduct the initial training program either in person at its headquarters or at another designated location or locations, as Franchisor requires.

Franchisor shall not charge tuition or similar fees for initial training for franchisee and its District Manager, up to two individuals, however all expenses incurred by Franchisee and its employees in attending such program including, but not limited to, travel costs, room and board expenses and employees' salaries, shall be the sole responsibility of Franchisee. Additional trainees will be at the published rates within the Manual(s).

After initial training, you will register for the OnSite Training. The OnSite Training consists of five (5) calendar day(s)of onsite pre-opening and Soft Opening training for You and Your Staff. Immediately prior to the Soft Opening date, Franchisor shall provide five (5) days of pre-opening training, which shall ensure that all materials, equipment, preparations and staff are prepared for Soft Opening. Upon the completion of the Pre-Opening training, Franchisor and Franchisee shall Open the BUE Business to the invited soft opening individuals. Franchisor shall provide support to Franchisee through the Soft Opening Training program, which consists of two (2) additional days additional days of hands on training at the Franchisee's location. All travel room, board, and expenses for Franchisor trainers is Franchisee's responsibility. (Franchise Agreement 8.1)

After you have successfully completed the Soft Opening time period described in the Manual(s), you will register for the OnSite Grand Opening Training. The OnSite Grand Opening Training consists of two (2) business day(s) of onsite pre-opening and Grand Opening training for You and Your Staff. Immediately prior to the Grand Opening date, Franchisor shall provide five (5) days of pre-opening training, which shall ensure that all materials, equipment, preparations and staff are prepared for Grand Opening. Upon the completion of the Pre-Opening training, Franchisor and Franchisee shall Open the BUE Business to the public. Franchisor shall provide support to Franchisee through the Grand Opening Training program, which consists of two additional days of hands on training at the Franchisee's location. All travel room, board, and expenses for Franchisor trainers is Franchisee's responsibility. (Franchise Agreement 8.1)

Section 8.2 Opening Project/ Advanced Marketing Training

In conjunction with beginning operation of the Franchised Business, Franchisor will provide Franchisee with five (5) days of training at the Franchised Business starting two (2) days prior to the soft opening, which shall be the first day the Franchised Business is open to the public, and for the first three (3) days of operation to the public for soft opening assistance.

Franchisee shall provide written and photographic proof, if requested by Franchisor, of all opening marketing and Local Advertising performed. Said proof shall be remitted along with the Monthly Gross Sales Report as stated in Section 3.2.

Section 8.3 Failure to Complete Initial Training Program

If Franchisor determines that the District Manager is unable to satisfactorily complete the training program described above, Franchisor has the right to terminate this Agreement. If Franchisee is a business entity and the District Manager fails to complete the initial training program to Franchisor's reasonable satisfaction, Franchisee may be permitted to select a substitute District Manager (who must be approved in writing by Franchisor) and such substitute District Manager must complete the initial training to Franchisor's satisfaction. Franchisee will be required to pay Franchisor's then-current rates for additional training, currently One Thousand Dollars and 00/100 ($1,000.00) per class for an already scheduled class, as set forth in the Manual.

Section 8.4 New District Manager

After beginning operations, should Franchisee name a new District Manager, Franchisee must notify Franchisor in writing of the identity of the new District Manager and Franchisor must approve in writing the new District Manager. The new District Manager must attend and complete the next available initial training program to Franchisor's satisfaction. Franchisee shall be responsible for all travel costs, room and board, and employees' salaries incurred in connection with the new District Manager's attendance at such training. Franchisor reserves the right to require Franchisee to pay Franchisor's then-current rates for additional training, Five Thousand Dollars And 00/100 ($5,000.00) per class for an already scheduled class, for providing the new District Manager an initial training program as set forth in the Manual.

Section 8.5 Ongoing Training and Special Assistance

From time to time, Franchisor may provide, and if it does, has the right to require that the District Manager, Franchisee's other managers and/or employees attend ongoing training programs or seminars during the term of this Agreement. Franchisor shall not charge a fee for any mandatory ongoing training, except Franchisor has the right, but not the obligation, to charge a fee as stated in the manual and updated from time to time for Franchisee to attend an annual convention for the system. Franchisor shall not require the District Manager, Franchisee's other managers and/or employees to attend more than two (2) session(s) in any calendar year and collectively not more than ten (10) days in any calendar year, not including any annual convention that is held by Franchisor. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the District Manager's, Franchisee's other managers' and/or employees' attendance at such training.

Franchisor will provide Franchisee with Ongoing Assistance as Franchisor deems necessary. However, if Franchisee needs Special Assistance, or if Franchisor must deal directly with the Franchisee's client, Franchisee's vendors or others directed by Franchisee, Franchisee will pay the Additional Assistance fee equal to the then-current daily rate as set forth in the Manual, payable by ACH Withdraw, with the next Royalty payment following the support overage, pursuant to Section 3.5.

Section 8.6 Additional Training

From time to time, Franchisor may provide, and if it does, has the right to require that the District Manager, Franchisee's other managers and/or employees attend additional training programs. Franchisor shall charge One Thousand Dollars And 00/100 ($1,000.00) per session for additional training for additional trainees at Franchisors facility.

Section 8.7 Temporary Management

Following the death or incapacity of an owner of the Franchised Business, Franchisor may assume operation of the Franchised Business until the deceased or incapacitated owner's interest is transferred to a third party approved by Franchisor, up to a maximum of one week (1).
Franchisor shall charge the temporary management fee, currently Two Thousand Five Hundred Dollars and 00/100 ($2,500) during the time Franchisor is operating Franchisees Franchised Business and Franchisor shall also be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Business.

Section 8.8 National or Regional Meetings

Franchisor provides annual training at the National or Regional Convention. Franchisor no will provide all Entrance Fees costs for up to two people. Franchisee's attendance is mandatory. Franchisee shall pay One Thousand Five Hundred Dollars and 00/100 ($1,500.00) for two attendees by the first Wednesday in September annually. Additional attendees are recommended and will be billed at Seven Hundred Fifty Dollars and 00/100 ($750.00) per additional attendee. If Franchisee fails to attend the Annual Convention Franchisee will incur an additional non-attendance penalty of Two Thousand Five Hundred Dollars and 00/100 ($2,500.00) as listed in the Manual(s).

ARTICLE 9 - MANUAL

Section 9.1 Loan by Franchisor

While this Agreement is in effect, Franchisor shall lend to Franchisee one (1) copy/copies of the Manual or grant Franchisee access to an electronic copy of the Manual. Franchisee shall conduct the Franchised Business in strict accordance with the provisions set forth in the Manual. The Manual may consist of three 3 or more separate manuals and other materials as designated by Franchisor and may be in written or electronic form. The Manual shall, at all times, remain the sole property of Franchisor and shall promptly be returned to Franchisor upon expiration or termination of this Agreement. Franchisee will be charged Five Hundred Dollars and 00/100 ($500.00) for each Replacement copy of the Manual(s).

Section 9.2 Revisions

Franchisor has the right to add to or otherwise modify the Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor; provided, however, that no such addition or modification shall materially alter Franchisee's fundamental status and rights under this Agreement. Franchisor may make such additions or modifications without prior notice to Franchisee. Franchisee shall immediately, upon notice, adopt any such changes and shall ensure that its copy of the Manual is up-to-date at all times. If a dispute as to the contents of the Manual arises, the terms of the master copy of the Manual maintained by Franchisor at Franchisor's headquarters shall be controlling.

Franchisee agrees that, because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor reserves the right, in its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any Franchisee.

Section 9.3 Confidentiality

The Manual contains Trade Secrets and other Confidential Information of Franchisor , its Affiliate(s), Bottoms Up Holdings, LLC and Bottoms Up Espresso and approved vendors, and its contents shall be kept confidential by Franchisee and all Covered Persons both during the term of the Franchise and subsequent to the expiration and non-renewal or termination of this Agreement. Franchisee shall at all times ensure that its copy of the Manual is available at the Approved Location in a current and up-to-date manner. Whether the Manual is in paper form or stored on computer-readable media, or both, Franchisee shall maintain the Manual in a secure manner at the Approved Location. If the Manual is in electronic form, Franchisee shall maintain the Manual in a password-true file. Franchisee shall only grant authorized personnel, as defined in the Manual, access to the Manual or any key, combination or passwords needed for access to the Manual. All persons whom Franchisee permits to have access to the Manuals or any other Confidential Information must first be required by Franchisee to sign the Confidentiality Agreement provided by Franchisor. Franchisee shall not disclose, duplicate or otherwise use any portion of the Manual in an unauthorized manner.

ARTICLE 10 - FRANCHISE SYSTEM

Section 10.1 Uniformity

Franchisee shall strictly comply, and shall cause the Franchised Business and its employees to strictly comply, with all requirements, specifications, standards, operating procedures and rules set forth in this Agreement, the Manual or other communications supplied to Franchisee by Franchisor.

Franchisee must strictly enforce the BUE Culture and individual appearance requirements and dress code requirements with all employees and independent contractors that Franchisee contracts with or hires, as more specifically stated in the Manual(s).

All services and support shall be on a first come first served basis. If Franchisor creates or rolls out new System programs, services or benefits, they shall be immediately applicable to all Franchisees in the BUE System, unless Franchisor is conducting a test market study with certain franchisees. All Franchise Agreements shall contain this same provision.

Section 10.2 Modification of the System

Franchisee recognizes that from time to time, Franchisor may introduce, as part of the System, other methods or technology which require certain System modifications including, without limitation, the adoption and use of modified or substitute Marks, new computer hardware and software, equipment, signs or fixtures. Franchisee agrees to make all required upgrades and modifications at its expense as may be required by Franchisor; provided, however, Franchisee shall not be required to make any expenditure that will require Franchisee to spend more than Franchisee's initial investment during the initial term of the Franchise Agreement. If such additional investment is required in the last year of the initial term, Franchisee may avoid making the investment by providing notice of intent not to renew the Franchise Agreement unless the investment is in connection with a modification to the System required by law or court order. Franchisee acknowledges any required expenditures for changes or upgrades to the System shall be in addition to expenditures for refurbishment, remodeling, repairs and maintenance as required in Article 5 of this Agreement.

Section 10.3 Variance

Franchisor has the right to vary standards or specifications for test market purposes or for any franchisee based upon that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of any particular BUE ™ Business. Franchisor shall not be required to disclose or grant to Franchisee a like or similar variance.

ARTICLE 11 - ADVERTISING AND PROMOTIONAL ACTIVITIES

Section 11.1 Local Advertising

Franchisee shall continuously promote the Franchised Business through Local Advertising and participate in any local marketing and promotional programs Franchisor establishes from time to time which includes a graphics package for use on Franchisee's vehicles as specified in the Manuals

During every one (1) month period after the Franchised Business opens, Franchisee must spend at least $250 on local advertising in an effort to assist you to maintain the minimum sales requirements.

Franchisee may choose to spend whatever amount you determine best; however, at no time may you spend less than $250.00 towards your local advertising budget.("Local Advertising").

On the first Wednesday of each month or within ten (10) days after the end of each month, whichever occurs first, after the Franchised Business opens, Franchisee will furnish to us an accurate accounting of the expenditures on Local Advertising for the preceding one month period. (Franchise Agreement, Section 11.2 and 12.5) All local advertising materials must be submitted to Franchisor for approval prior to use.

Franchisee must submit to Franchisor, for its prior approval, all advertising and promotional materials to be used by Franchisee. Franchisor shall use reasonable efforts to provide notice of approval or disapproval within thirty (30) days from the date of receipt by Franchisor. If Franchisor does not approve of the submitted materials within thirty (30) days, such materials shall be deemed to have not received the required approval. Franchisee shall not use any marketing or promotional materials prior to receiving written approval by Franchisor. Any advertising materials Franchisee creates will become

Franchisor's exclusive property, and Franchisor may use or distribute these materials in any manner Franchisor deems appropriate, without compensation to Franchisee.

Section 11.2 National Marketing Fund

Franchisor has established a National Marketing Fund, which Franchisee must contribute to as defined in Section 3.3. This Marketing Fund shall be maintained and administered by Franchisor or its designee as follows:

i. The program(s) may be local, regional, or System-wide;

ii. Franchisor shall oversee all marketing programs, with sole control over creative concepts, materials and media used in such programs, and the placement and allocation thereof. Franchisor does not warrant that any particular franchisee will benefit directly or pro rata from expenditures by the Marketing Fund. The program(s) may be local, regional or System-wide;

iii. Franchisee's Marketing Fund Contributions may be used to meet the costs of, or to reimburse Franchisor for its costs of producing, administering (including the cost of personnel), maintaining, directing and conducting research and advertising. Advertising shall include without limitation: the cost of preparing and conducting television, radio, billboard, Internet, video, video-streaming, digital signage, audio, magazine, newspaper, direct mail advertising campaigns, conventions and other public relations activities; developing and/or hosting an Internet web page or site and similar activities; employing advertising agencies to assist therein; and providing promotional brochures and other marketing materials to franchisees;

iv. all National Marketing Fund Contributions shall be maintained in a separate account(s) from Franchisor's other monies and shall not be used to defray any of Franchisor's general operating expenses, except up to ten percent (10%) for such reasonable costs and expenses Franchisor may incur in activities reasonably related to the media creation and administration of the National Marketing Fund, including the cost of personnel;

v. Franchisor shall endeavor to spend all National Marketing Fund Contributions on marketing programs and promotions during Franchisor's fiscal year within which such contributions are made. If excess amounts remain in any National Marketing Fund at the end of such fiscal year, all expenditures in the following fiscal year(s) shall be made first out of such excess amounts, including any interest or other earnings of the National Marketing Fund, and then out of current contributions;

vi. although Franchisor intends the National Marketing Fund, if established, to be of perpetual duration, Franchisor has the right to terminate the National Marketing Fund at any time. The National Marketing Fund shall not be terminated, however, until all National Marketing Fund Contributions and earnings have been expended for advertising and promotional purposes or returned to Franchisee and other franchisees on a pro rata basis based on total National Marketing Fund Contributions made in the aggregate by each franchisee;

vii. an accounting of the operation of the National Marketing Fund shall be prepared annually and shall be available to Franchisee upon request; however, it is the intention of the Franchisor to provide an unaudited copy of the National Marketing Fund accounting to all Franchisees at the annual meeting. Franchisor retains the right to have the National Marketing Fund audited, at the expense of the National Marketing Fund, by an independent certified public accountant selected by Franchisor; and

viii. Franchisee acknowledges the National Marketing Fund is not a trust and Franchisor assumes no fiduciary duty in administering the National Marketing Fund.

Section 11.3 Cooperative Advertising

Franchisees have the right, but not the obligation, to create a Cooperative Advertising program for the benefit of BUE™ Businesses located within a particular region. If, at the time Franchisee signs the Franchise Agreement, any Cooperative Advertising program is in place that encompasses the geographic areas comprising Franchisee's territory; Franchisee must join the Cooperative Advertising program and comply with the requirements set forth by the governing body. Franchisor has the right, but not the obligation, to allocate any portion of the National Marketing Fund to a Cooperative Advertising program. The franchisees have the right to determine the composition of all geographic territories and market areas for the implementation of each Cooperative Advertising program and to require that Franchisor owned units participate in such Cooperative Advertising programs when established within Franchisor unit's region. If a Cooperative Advertising program is implemented in a particular region, Franchisee has the right to establish an advertising council to self-administer the Cooperative Advertising program. Franchisee may participate in the council according to the council's rules and procedures and if Franchisee does participate, Franchisee shall abide by the council's decisions. Franchisor shall require the Cooperative Advertising program to prepare periodic financial statements which are available for Franchisee's and Franchisor's review. Franchisor requires the Cooperative Advertising program to operate from written governing or contractual documents that are available for all applicable Franchisee's review. Franchisor does not have the right to require the Cooperative Advertising program to be created, dissolved or merged.

At this time, there is no Advertising Council option for the Franchisees.

Section 11.4 Internet Advertising

Franchisee, and any Cooperative Advertising program, may not establish a presence on, or market using, the Internet in connection with the Franchised Business without Franchisor's prior written consent. Franchisor has established and maintains an Internet website at the uniform resource locator, www.bottomsupespresso.com, which provides information about the System and the services Franchisor, its Affiliates and its franchisees provide. Franchisor will include at the BUE website an interior page containing information about the Franchised Business.

Franchisor retains the exclusive right to advertise or use the Marks on the Internet, including the use of websites, domain names, uniform resource locators, linking, search engines (and search engine optimization techniques), banner ads, video, video-streaming, digital signage, audio, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. Franchisee may be requested to provide content for Franchisor's Internet marketing and shall be required to follow Franchisor's intranet and Internet usage rules, policies and requirements. Franchisor retains the sole right to approve any linking to, or other use of, the BUE website. Further, Franchisor retains the right to utilize whatever form of advertising that may become available in the future.

Franchisor has the sole right to maintain Social Media sites and/or applications including, but not limited to: Twitter, Facebook, LinkedIn and other sites or applications that Franchisor may establish. Franchisor does not allow Franchisee to establish or utilize Social Media sites or applications for business purposes. Franchisee and Franchisee's employees do not have the right to utilize the Marks, any of the Trade Secrets, the Confidential Information, the common law copyrighted materials including the programs, photographs, program names, signage, promotional materials, Manual, training materials, Franchise Agreements, and/or any other documents, materials and items for the general ambiance and decor used in the operation of the System and the BUE™ Businesses on any Social Media sites and/or applications, even if made from Franchisee's personal Social Media account. Further, any representations from Franchisee or Franchisee's employees regarding Franchisee's profits or earnings made on any Social Media site and/or application, even if made from a personal Social Media account, is deemed a breach of Confidential Information under this Franchise Agreement.

Section 11.5 Telephone Directory Advertising

Franchisee is required to list and advertise the telephone number(s) for the Franchised Business in the "white pages" telephone directory distributed in its trade area. Franchisee must be in the directory heading or category as specified by Franchisor. All telephone and directory advertising expenditures are in addition to Franchisee's Local Advertising obligations.

ARTICLE 12 - ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS

Section 12.1 Records

After the opening date of the Franchised Business, Franchisee shall submit to Franchisor, upon request, the financial, operational and statistical reports and information as Franchisor may require to (i) provide Franchisee with consultation and advice in accordance with this Agreement; (ii) monitor Franchisee's performance under this Agreement and Franchisee's purchases, revenue, operating costs, expenses and profitability; (iii) develop chain-wide or system statistics; (iv) develop new operating procedures; (v) develop new authorized services, remove unsuccessful authorized services, including unsuccessful Approved Suppliers and improve and enhance authorized services; and (vi) implement changes in the BUE System to respond to competitive and marketplace changes.

During the term of this Agreement, Franchisee shall maintain full, complete and accurate books, records and accounts in accordance with generally accepted accounting principles described by Franchisor in the Manual or otherwise in writing. Franchisee shall retain during the term of this Agreement, and for three (3) years thereafter, all books and records related to the Franchised Business including, without limitation, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, copies of negotiated checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by Franchisor or required by law.

Section 12.2 Financial Management

Franchisee shall make available sufficient working capital to permit operation of the Franchised Business in compliance with this Agreement. Franchisee shall pay the debts of, and taxes and assessments against the Franchised Business. Franchisee shall discharge any encumbrance against the Franchised Business within thirty (30) days of its creation.

Section 12.3 Gross Sales Reports

Franchisee shall maintain an accurate record of Gross Sales and shall deliver to Franchisor by close of business each Monday via facsimile transmission, e-mail or intranet system a signed and verified statement of Gross Sales ("Gross Sales Report") for the previous Monday to Sunday in a form that Franchisor approves or provides in the Manual, which shall be submitted together with the Royalty Fee, Intranet Fee, Software Fee.

Section 12.4 Financial Statements

Franchisee shall supply to Franchisor on or before the first Monday of each month, in a form approved by Franchisor, a balance sheet as of the end of the last day of the preceding month and an income statement for the preceding month and the fiscal year-to-date. Franchisee shall, at its expense, submit to Franchisor within sixty (60) days after the end of each calendar year, an income statement for the calendar year just ended and a balance sheet as of the last day of the calendar year. Such financial statements shall be prepared in accordance with generally accepted accounting principles applied on a consistent basis. If required by Franchisor, such financial statements shall be compiled, reviewed or audited by a certified public accountant. Franchisee shall submit to Franchisor such other periodic reports in the manner and at the time specified in the Manual or otherwise in writing.

Section 12.5 Other Reports

Franchisee shall submit the Local Marketing Report and the National Marketing Fund Contribution Reports weekly along with the Gross Sales Reports as stated in Section 12.3. Franchisee shall submit to Franchisor copies of all state sales tax returns that are required to be filed with the appropriate governmental agency and such other records as Franchisor may reasonably request from time to time or as specified in the Manual. Franchisor shall have the right to release financial and operational information relating to the Franchised Business to Franchisor's prospective franchisees, Franchisor's lenders or prospective lenders, as required with respect to offering Franchisor's or its Affiliate's securities to the public or as required to sell, merge or in any other manner transfer Franchisor's assets or any type of certificates representing an ownership interest in Franchisor. Franchisee shall certify as true and correct all reports to be submitted pursuant to this Agreement.

Section 12.6 Computer/Software/Phone System

Franchisee must purchase, install, update, upgrade and use computer, credit card processing systems, surveillance systems, point-of-sale system, software and phone systems consisting of hardware and software in accordance with Franchisor's specifications listed in the Manual(s).

In accordance with Franchisor's specifications listed in the Manual(s), you must purchase, for use in your Franchised Business at least one computer (placement will be discussed in the Manual(s)) with the specified software installed on it. We may require that you add additional, new or substitute software, replace or upgrade your computer systems and equipment, and enter into maintenance agreements with third parties. You must acquire, install, and maintain all required anti-virus and anti-spyware software as designated by us in addition to any email or internet usage policies that we require within thirty (30) days of written notice. You are solely responsible for updating the manufacturer's software on each device and ensuring that each device is not running old versions of the software.

There is currently only one approved point of sale system that you will use that satisfies our requirements. Also in accordance with Franchisor's specifications listed in the Manual(s), you must purchase the approved system through an approved supplier. You must purchase and install Silver, BUE version which will include the software and hardware required to operate your Franchised Business.

Presently, we require you to have QuickBooks accounting system. BUE has obtained a multi-user franchising direct agreement with Intuit, manufacture of QuickBooks, which you may purchase through BUE, at the specially prepared Intuit website for BUE franchisees. You will be responsible for any upgrades or updates to the system thereafter. Although we do not set the pricing, Intuit does. In addition, you must purchase the QuickBooks Learning CD if you do not currently use QuickBooks through BUE's Intuit website. We will have access to the accounting system through QuickBooks remote access to validate the revenue for royalties. (Franchise Agreement Section 3.6)

There is currently only one approved phone system that you will use that satisfies our requirements. You must purchase the approved system through Bottoms Up Holdings. You must have at least one phone dedicated to the business, with a publishable phone number. We reserve the right to act as collection agent for the phone system, and collect fees you owe. You must purchase and use only the authorized phone to operate your Franchised Business. We estimate that the BUE initial phone system will cost approximately $20 to $400 plus a monthly ongoing fee of approximately $49 depending upon the carrier and method chosen, and whether the phone is a land line or a VoIP phone, depending upon how many phones or phone lines you want.

There are other electronic components you must adhere to. All drivers must have and wear a Bluetooth headset. Each location must have a music system on at all times during business hours which play our preapproved playlists. You must maintain a music system that will play our specified BUE music channel. You must use and maintain all wireless camera systems we specify in the Manual(s).

Franchisor shall have full access to all of Franchisee's computer, software and phone data and systems and all related information by means of continuous direct access, whether in person or by telephone, modem or Internet to permit Franchisor to verify Franchisee's compliance with its obligations under this Agreement. Franchisor shall have the right to independently access Franchisee's entire computer, point-of-sale system, software and phone data and systems and all related information collected or compiled by Franchisee or in accordance with Franchisee's use of the computer, software, and phone systems, at any time, without notifying Franchisee.

Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures and similar problems, and attacks by hackers and other unauthorized intruders ("E-Problems"). Franchisor has taken reasonable steps so that E-Problems will not materially affect the Franchisor's business. Franchisor does not guarantee that information or communication systems that Franchisor or others supply will not be vulnerable to E-Problems. It is Franchisee's responsibility to protect itself from E-Problems. Franchisee should also take reasonable steps to verify that its suppliers, third-party vendors, lenders, landlords, and governmental agencies on which it relies, have reasonable protection from E-Problems. This may include taking reasonable steps to secure Franchisee systems (including firewalls, password protection and anti-virus systems) and to provide backup systems.

Section 12.7 Right to Inspect

Franchisor or its designee has the right, during normal business hours, to examine copy and audit the books, records and tax returns (both the business returns and Franchisee personal income tax returns) of Franchisee. If the audit or any other inspection should reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus late fees and interest as defined in Section 3.7. If the audit is conducted due to (i) Franchisee's failure to provide required reports to us, or (ii) if any such inspection or audit reveals an underpayment of Two percent (2) or more of the amount due for any period covered by the audit, then Franchisee shall in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). In addition to any other rights Franchisor may have, including the right to Terminate this Agreement, Franchisor may conduct such further periodic audits and/or inspections of Franchisee's books and records as we reasonably deem necessary for up to one (1) year(s) thereafter at Franchisee's sole expense, including, without limitation, reasonable professional fees, travel, and lodging expenses directly related thereto. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

In the event that there are three 3 deficiencies during any one (1) year period, the second deficiency shall be considered a material default of this Agreement and Franchisor shall have the right to terminate this Agreement without providing Franchisee the opportunity to cure the default.

Section 12.8 Release of Records

At Franchisor's request, Franchisee shall authorize and direct any third parties, including accounting, banking and legal professionals and tax authorities, to release to Franchisor all accounting and financial records arising from or relating to the operation of the Franchised Business including, but not limited to, records evidencing Gross Sales, profits, losses, income, tax liabilities, tax payments, including federal, state and local tax returns, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the length of the unexpired term of this Agreement plus three 3 years or until such time as Franchisor withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to Franchisor.

ARTICLE 13 - STANDARDS OF OPERATION

Section 13.1 Authorized Products, Services and Suppliers

Franchisee acknowledges the reputation and goodwill of the System is based in large part on offering high quality services to its customers. Accordingly, Franchisee shall provide or offer for sale, or contract to offer for sale, or use at the Franchised Business only those product items, supplies, and services Franchisor from time to time approves (and which are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards. If required by Franchisor, any such items or services shall be purchased only from "Approved Suppliers" that Franchisor designates or approves (which might include, or be limited to, Franchisor or an Affiliate, or a third party from which Franchisor derives a fee or profit). Franchisee shall not offer for sale, sell or provide through the Franchised Business or from the Approved Location any items or services Franchisor has not approved in writing.

Franchisor shall provide Franchisee, in the Manual or other written or electronic form, with a list of Approved Suppliers for some or all of the specified items and services, and Franchisor may from time to time issue revisions to such list. Franchisor's designation of a particular third party supplier whom Franchisee must purchase, lease or license specified services from does not constitute a representation or warranty of the Approved Supplier's ability to meet Franchisee's requirements nor of the fitness or merchantability of the services sold, leased or licensed by the supplier. Franchisee understands and agrees that its sole remedy in the event of any shortages, delays or defects in the services purchased, sold, leased from a designated third party Approved Supplier shall be against the Approved Supplier, not Franchisor or Franchisor's Indemnitees.

FRANCHISOR AND ITS AFFILIATES DISCLAIM ALL EXPRESS OR IMPLIED WARRANTIES CONCERNING ANY PRODUCTS OR SERVICES PROVIDED BY APPROVED SUPPLIERS, INCLUDING, WITHOUT LIMITATION, ANY WARRANTIES AS TO MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AVAILABILITY, QUALITY, PRICING OR PROFITABILITY. ALL WARRANTIES ARE DERIVED STRICTLY AND SOLELY FROM THE MANUFACTURER. Franchisee acknowledges that Franchisor may, under appropriate circumstances, receive fees, commissions, field-of-use license royalties, or other consideration from approved suppliers based on sales to franchisees, which consideration shall be contributed to Franchisor.

Franchisor may exercise its option to act as an intermediary between Franchisee or customer and Approved Supplier. However, this act by Franchisor does not create or constitute an agency relationship, nor an informed intermediary relationship between Franchisor and Approved Supplier and does not subject Franchisor to any liability on behalf of Approved Supplier's warranty nor any product liability under any theory, in any jurisdiction.

If Franchisee desires to utilize any services or products Franchisor has not approved (or for services and products that require supplier approval by Franchisor), Franchisee shall first send Franchisor sufficient information, specifications and samples for Franchisor to determine whether the service or product complies with its standards and specifications or whether the supplier meets its Approved Supplier criteria. Along with the submission of suggested suppliers information Franchisee must submit to Franchisor a One Hundred Fifty Dollars and 00/100 ($150.00) fee, in addition to any costs incurred against Franchisor, for Franchisor to begin the process of reviewing the suggested supplier. Franchisee or supplier shall bear all expenses incurred by Franchisor in connection with test marketing the product to determine whether it shall approve an item, service or supplier. Test marketing will consist of a minimum of 30 days and a maximum of 90 days and must be tested at the Franchisee's location as well as the corporate store. Franchisor will decide, in its sole discretion, within one hundred twenty (120) days after receiving the required information whether Franchisor temporarily approves the supplier. Approval of a supplier may be conditioned on the supplier's ability to provide sufficient quantity of product, quality of products or services at competitive prices, production and delivery capability, and dependability and general reputation. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications Franchisor deems confidential. If Franchisor does not submit approval in writing to the Franchisee within one hundred twenty (120) days, the proposed item, service, or supplier is deemed denied.

Notwithstanding anything to the contrary in this Agreement, Franchisor has the right to review from time to time its approval of any items or suppliers. Franchisor may revoke its approval of any item, service or supplier at any time by notifying Franchisee and/or the supplier. Franchisee shall, at its own expense, promptly cease using, selling or providing any items or services disapproved by Franchisor and shall promptly cease purchasing from suppliers disapproved by Franchisor within thirty (30) days.

Franchisor has the right to designate certain products and services, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, franchisee qualifications, test marketing, either for the purpose of customer or operational feedback or evaluation, and regional or local legal differences. Franchisor has the right to give its consent to one or more franchisees to provide certain products or services not authorized for general use as part of the System. Such consent will be based upon the factors set forth in Section 13.1 and shall not create any rights in Franchisee to provide the same products or services.

Section 13.2 Appearance and Condition of the Franchised Business; Refurbishment

Franchisee shall maintain the Franchised Business and the Approved Location in "like new" condition, and shall repair or replace furnishings, equipment, fixtures and signage as necessary to comply with the standards and specifications of Franchisor and Franchisee's lessor and any applicable laws or regulations. The expense of such maintenance shall be borne by Franchisee and shall be in addition to any required System modifications, as described in Section 10.2. Further, Franchisee shall be required to refurbish and update the Approved Location throughout the term of this Agreement as necessary and/or as directed by Franchisor with an overall update every seven (7) years, if the BUE Business is open to vendors, contractors, or the public.

Section 13.3 Ownership and Management

The Franchised Business shall, at all times, be under the direct supervision of Franchisee or a District Manager who has successfully completed Franchisor's training program. The District Manager shall devote sufficient efforts to the management of the day-to-day operations of the Franchised Business. Franchisee shall keep Franchisor informed, in writing, at all times of the identity of its current District Manager. Franchisee must not engage in any business or other activities that will conflict with its obligations under this Agreement.

Section 13.4 Days of Operation

Franchisee shall keep the Franchised Business open for business during normal business hours and on the days specified in the Manual.

Section 13.5 Inspections

Franchisee will permit Franchisor and/or Franchisor's representatives to enter Franchisee's location or office at any time during normal business hours and upon reasonable notice, for purposes of conducting inspections. Franchisee will cooperate fully with Franchisor and/or Franchisor's representatives in inspections by rendering assistance as Franchisor and/or Franchisor's representatives may reasonably request and by permitting them, at their option, to observe how Franchisee is selling the products and rendering the services, to monitor sales volume, to conduct a physical inventory, to confer with Franchisee's employees and customers and to remove samples of any products, supplies and materials in amounts reasonably necessary to return to Franchisors office for inspection and record keeping. The inspections will be performed in a manner that minimizes interference with the operations of your BUE Business. Franchisor and/or Franchisee may videotape the inspections. Upon notice from Franchisor, and without limiting Franchisor's rights under this agreement, Franchisee will take all necessary steps to correct immediately any deficiencies detected during inspections, including immediately stopping use of any equipment, advertising, materials, products, supplies or other items that do not conform to Franchisor's then current requirements. If Franchisee fails or refuses to correct any deficiency, Franchisor has the right, without any claim to the contrary by Franchisee, to enter Franchisees location or office without being guilty of trespass or any other tort, for the purpose of making or causing to be made all corrections as required, at Franchisee's expense, payable by Franchisee upon demand.

Section 13.6 Licenses and Permits

Franchisee is solely responsible for ensuring that the Franchised Business is designed, constructed or improved, equipped and furnished in accordance with System standards. Franchisee shall secure and maintain in force all required licenses, permits and certificates, including a business license or Franchisee's state's equivalent, necessary for the operation of the Franchised Business and shall operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations, including without limitation all government regulations relating to environmental protection, occupational hazards and health, workers' compensation insurance, unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales taxes, if applicable. Franchisor makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the Franchised Business. Franchisee shall be solely responsible for investigating and complying with all such laws, ordinances and regulations with regard to the operation of the Franchised Business.

Section 13.7 Notification of Proceedings

Franchisee shall notify Franchisor in writing of the commencement of any action, suit or proceeding involving Franchisee or the Franchised Business, or of the issuance of any order, writ, injunction, award or decree which may affect the operation or financial condition of the Franchised Business not more than Twenty-four (24) hours after such commencement or issuance. Franchisee shall deliver to Franchisor not more than Seventy-two (72) hours after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any law, rule or regulation that reflects a notice of re-inspection by a date certain by the governmental agency or Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation. Franchisee will provide Franchisor with any information Franchisor requests, within Seventy-two (72) hours of request, about the progress and outcome of events.

Section 13.8 Compliance with Good Business Practices

Franchisee acknowledges that the quality of customer service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Agreement and the relationship created hereby. Therefore, Franchisee shall endeavor to maintain and require from its employees and contracted personnel, if applicable, high standards of quality and service in the operation of the Franchised Business. Franchisee shall at all times give prompt, courteous and efficient service to customers of the Franchised Business. Franchisee shall immediately resolve any customer complaints regarding the quality of service of the Franchised Business or any similar complaints. When any customer complaints cannot be immediately resolved, Franchisee shall use his/her best efforts to resolve the customer complaints as soon as practicable and shall, whenever feasible, give the customer the benefit of the doubt. The Franchised Business shall in all dealings with its customers, vendors and the general public, adhere to the highest standards of honesty, fair dealing and ethical conduct. If Franchisor, in its sole discretion, determines that its intervention is necessary or desirable to protect the System or the goodwill associated with the System, or if Franchisor, in its sole discretion, believes that Franchisee has failed to adequately address or resolve any customer complaints, Franchisor may, without Franchisee's consent, resolve any complaints and charge Franchisee an amount sufficient to cover Franchisor's reasonable costs and expenses in resolving the customer complaints, which amount Franchisee shall pay to Franchisor immediately on demand. Franchisor has the right to terminate this Agreement for violation of this Section.

Franchisee shall, in all dealings with the customers, suppliers, Franchisor and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. Franchisee agrees to refrain from any business or advertising practice which may be injurious to Franchisor's business and the goodwill associated with the Proprietary Marks and other BUE Businesses. Franchisee and Franchisee's employees shall be required to adhere to all aspects of this Section. Failure to adhere to this section shall result in a default of this Agreement.

Franchisee and Franchisee's owners agree to comply, and to assist Franchisor to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (defined below). In connection with that compliance, Franchisee and Franchisee's owners certify, represent, and warrant that none of Franchisee's property or interests is subject to being blocked under, and that Franchisee and Franchisee's owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT ACT, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by Franchisee or Franchisee's owners, or any blocking of Franchisee or Franchisee owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement, as provided in Section 17.2 below.

Section 13.9 Uniforms

Franchisee shall abide by any uniform or dress code requirements stated in the Manual or otherwise. Uniforms, or logoed apparel, if required, must be purchased from an Approved Supplier, if such is designated, or if none, then a supplier who meets Franchisor's specifications and quality standards for uniforms or logoed apparel. Failure to wear such designated uniforms shall cause us to provide you notice of violations of our systems and procedures and which could, in turn, lead to a notice of termination of this Agreement.

Section 13.10 Credit Cards

Franchisee shall honor all credit cards approved by Franchisor. Franchisee must obtain the prior written consent of Franchisor prior to honoring any previously unapproved credit cards or other credit devices. Franchisee shall keep all communication connections and access to financial and credit card information secure in a manner which is in compliance with all legal requirements and security requirements or issuing credit card companies. Franchisee shall at all times comply with all payment card industry data security standards laws and regulations including any laws applicable to abandoned property and escheat and shall hold Franchisor harmless from any and all claims and liabilities.

Section 13.11 Best Efforts

Franchisee shall use its best efforts to promote and increase the sales and recognition of services offered through the Franchised Business. Franchisee shall require all of Franchisee's independent contractors, employees, managers, officers, agents and representatives to make a good faith effort to enhance and improve the System and the sales of all services and products provided as part of the System. Best efforts are defined as the minimum gross sales as set forth in Section 2.7 hereof. If Franchisee does not maintain the minimum gross sales, Franchisor will have the sole discretion to issue a Notice of Termination with thirty (30) days' right to cure or in the alternative, Franchisee may lose territorial exclusivity.

Franchisee is encouraged to submit suggestions, in writing, to Franchisor for improving elements of the system, including products, services, equipment, service format, advertising and any other relevant matters, that Franchisor considers adopting or modifying standards, specifications and procedures for the system. Franchisee agrees that any suggestions made are Franchisor's exclusive property. Franchisor has no obligation to use any suggestions. If any suggestion is implemented by Franchisor, said suggestion will become part of the system and no compensation is owed to Franchisee. Franchisee may not use any suggestions inconsistent with Franchisee's obligations under this agreement without our written consent.

Section 13.12 Period of Operation

Notwithstanding local law, Franchisee must keep the Franchised Business open to the public and operating during the days and times as set forth in the Manuals.

Section 13.13 Former Franchisees

Franchisee acknowledges that Former Franchisees are in a position to compete unfairly with Franchisor, Franchisee and/or other members of the System, and cause great injury to the reputation of the System and/or the Proprietary Marks. Franchisee therefore agrees as follows:

i. Franchisee will not sell, loan, give or otherwise transfer or deliver to any Former Franchisee, or allow any Former Franchisee to copy or otherwise obtain, any confidential business information about the System; any advertising or promotional materials produced by the National Marketing Fund or by us or which bear any of the Proprietary Marks; any other of our materials or publications, including, without limitation, the Manual; any directory or roster of franchisees or Approved Suppliers, any other customer lists or mailing lists pertaining in any way to the System; or any other information about the BUE Business or the System which is not available to the public;

ii. Franchisee will not refer prospective Customers to any Former Franchisee;

iii. Franchisee will not notify or advise any Former Franchisee of, or in any other way assist any Former Franchisee in learning about, the date, time and place of any meetings of franchisees;

iv. If Franchisee observes any Former Franchisee using any of the Proprietary Marks in any way, or utilizing business premises or motor vehicles from which the Proprietary Marks and/or distinctive color scheme have not been completely obliterated, Franchisee shall immediately report such observation to us, along with all details available to Franchisee;

v. Franchisee shall, in general, have no dealings with a Former Franchisee which Franchisee, under this Agreement, could not have with a person who has never been a BUE Franchisee; and

vi. The provisions of this Section 13.13 shall apply to Franchisee upon notice of the expiration or termination of another Franchisee's Franchise Agreement.

Section 13.14 Franchisees Employees

Franchisee will maintain a competent, conscientious staff and contract or employ the minimum number of individuals necessary to meet the anticipated volume of business and to achieve the goals of the system. Franchisee will take all steps necessary to ensure that Franchisee's contractors and employees meet the employment criteria, keep a neat appearance, and comply with any dress code Franchisor requires, and subject to the requirements of landlords, if applicable. Franchisee is solely responsible for the terms of its employees' employment and independent contractors' compensation and, except for training under this agreement, for the proper training of the employees in the operations of Franchisee's BUE business. Franchisee is solely responsible for all employment decisions and functions, including contracting, hiring, firing, establishing wage and hour requirements, disciplining, supervising and record keeping. Franchisee will not recruit or hire any employee of a BUE franchise operated by Franchisor or another Franchisee within the system without obtaining the employer's written permission.

Franchisee and Franchisee's owners agree not to employ or contract with any person working in the United States that is not a United States citizen during the operation of their BUE business. Franchisee shall sign the agreement not to employ illegal aliens attached as Exhibit 13. This agreement does not pertain to outside Vendors, the consumer, individuals with documented work visas, or the general public. Franchisee shall submit to Franchisor, upon request, proof of citizenship for any independent contractors, employees, managers, officers, agents and representatives that are involved in the day to day business operation.

Franchisee's employees are under Franchisee's sole control. Franchisor is not the employer or joint employer of Franchisee's employees. Franchisor will not exercise direct or indirect control of Franchisee's employee's working conditions. Franchisor does not share or codetermine the terms and conditions of employment of Franchisee's employees or participate in matters relating to the employment relationship between Franchisee and its employees, such as hiring, promotion, demotion, termination, hours or scheduled work, rate of pay, benefits, work assigned, discipline, response to grievances and complaints, or working conditions. Franchisee has sole responsibility and authority for these terms and conditions of employment. Franchisee must notify and communicate clearly with its employees in all dealings, including, without limitation, its written and electronic correspondence, pay-checks, and other materials, that Franchisee (and only Franchisee) is their employer and that Franchisor is not their employer.

Section 13.15 Customer Lists

Franchisee will present to customers any evaluation forms Franchisor requires and will participate and/or request its customers to participate in any marketing surveys performed by or for Franchisor. Franchisee will maintain a current customer list containing each customer's name, address, telephone number and zip code and supply a copy of the list to Franchisor on an as requested basis. Franchisee must participate in any process Franchisor develops to record all customer information. Franchisee retains ownership of Franchisees customer lists. Franchisor will not use Franchisees customer list for any profit or in any activity adverse to, or in competition with, Franchisee for so long as this Agreement is in effect.

ARTICLE 14 - FRANCHISOR'S ADDITIONAL OPERATIONS ASSISTANCE

Section 14.1 General Advice and Guidance

Franchisor shall be available to render advice, discuss problems and offer general guidance to

Franchisee by telephone, e-mail, facsimile, newsletters, webinars and other methods with respect to planning, opening and operating the Franchised Business. After initial training, as discussed in Section 8.1, Franchisor shall not charge for this service. Franchisee will be billed, at Franchisors option, for special assistance as defined in Section 8.5 for any advice or guidance needed or given directly to Franchisee's customers, contractors, general contracts or contractual entities. Franchisor retains the right to refuse this service should Franchisee be deemed by Franchisor to be utilizing this service too frequently or in an unintended manner. Franchisor's advice or guidance to Franchisee relative to prices for products and services that, in Franchisor's judgment, constitutes good business practice is based upon the experience of Franchisor, its Affiliates and franchisees in operating BUE™ Businesses.

Franchisee generally has the right to establish prices for the items and services sold within the Franchised Business. Franchisor does have the authority to modify the items and services or system to give Franchisor the right to establish minimum and maximum prices. Any such modification will be in writing. Unless Franchisor modifies the item and services or system, any list or pricing structure furnished to Franchisee is a recommendation only.

Section 14.2 Periodic Visits

Franchisor or Franchisor's representative may make periodic visits, which may be in person, electronic or telephonic, which may be announced or unannounced, to the Franchised Business for the purposes of observation, consultation, assistance and guidance with respect to various aspects of the operation and management of the Franchised Business. Franchisor and Franchisor's representatives who visit the Franchised Business may prepare, for the benefit of either or both Franchisor and Franchisee, written reports detailing any problems or concerns discovered during any such visit and outlining any required or suggested changes or improvements in the operations of the Franchised Business. A copy of any such written report shall be provided to Franchisee. Franchisee shall implement any required changes or improvements as required by Franchisor, and within the time period required by Franchisor, with time being of the essence.

Franchisor or Franchisor's representative will periodically advise and offer general guidance to Franchisee by telephone, email, webinars, facsimile, newsletters, or other methods deemed appropriate by Franchisor. Such advice and guidance may consist of knowledge and experience relating to the authorized services or products, assistance in obtaining consumers, communication of new developments, or improvements to the system, or additions in curriculum, software, supplies, or marketing and sales strategies.

Section 14.3 System Improvements

Franchisor shall communicate improvements in the System to Franchisee as such improvements may be developed or acquired by Franchisor and implemented as part of the System.

Section 14.4 Marketing and Promotional Materials

Franchisor may periodically provide, through the Internet site www.bottomsupespresso.com or other medium, advertising and promotional materials including ad-slicks, brochures, fliers, menus and other materials in a variety of forms and formats to Franchisee for use in the operation of the Franchised Business.

ARTICLE 15 - INSURANCE

Section 15.1 Types and Amounts of Coverage

If applicable and at its sole expense, Franchisee shall procure within thirty (30) years of the Effective Date, and maintain in full force and effect during the term of this Agreement, the types of insurance listed below. All policies (except any workers' compensation insurance) shall expressly name

Franchisor as additional insured's or loss payees and shall contain a waiver of all subrogation rights against Franchisor and its successors and assigns. In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure:

a) "all risk" property insurance, including business interruption insurance, customarily obtained by similar businesses in your general area to cover, at a minimum, all assets including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of your BUE Business; and

b) General commercial liability insurance in an amount of not less than $1,000,000.00 per occurrence with a $2,000,000.00 general aggregate; and

c) Comprehensive general liability insurance, including products and contractual, in an amount of not less than $1,000,000.00 per occurrences with a $2,000,000.00 general aggregate; and

d) Workers' compensation insurance for statutory limits and employer's liability insurance in an amount not less than $1,000,000.00; and

e) Professional liability insurance in an amount of not less than $1,000,000.00 per occurrence with a $2,000,000.00 general aggregate; and

f) Vehicle replacement insurance to cover the cost of acquiring a replacement vehicle, typically around $24,000.00; and

g) An umbrella policy in amount of not less than $1,000,000.00.

Section 15.2 Future Increases

Franchisor has the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances.

Section 15.3 Additional Insured; Certificates of Coverage

All insurance policies procured and maintained by Franchisee pursuant to this Agreement shall (a) name Franchisor as an additional insured; (b) waive any right to assert a claim back against Franchisor; and (c) undertake to notify Franchisor thirty (30) days in advance of any cancellation or material change in the policy. Franchisee must provide Franchisor with certificates of coverage at least annually. If Franchisee fails to provide the certificate of insurance, Franchisor (in addition to all other rights and remedies) may purchase such insurance in the name of and on behalf of Franchisee, and Franchisee shall immediately reimburse Franchisor's expenses and premiums paid to obtain such insurance.

Section 15.4 Carrier Standards

Such policies shall be written by an insurance company licensed in the State in which Franchisee operates and having at least an "A-" Rating Classification as indicated in the latest issue of A.M. Best's Key Rating Guide.

Insofar and to the extent that this Section may be effective without invalidating it or making it impossible to secure insurance coverage obtainable from responsible insurance companies doing business in the state where Franchisee's BUE business is located (even though an extra premium may result), both parties agree that, for any loss that is covered by insurance then being carried by them, their respective insurance companies have no right of subrogation against the other.

Section 15.5 Evidence of Coverage

Franchisee's obligation to obtain and maintain the foregoing policies shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provisions set forth in Sectionand 21.3. Franchisee shall provide annually, certificates of insurance showing compliance with the foregoing requirements. Such certificates shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days prior written notice to Franchisor and shall reflect proof of payment of premiums.

Section 15.6 Failure to Maintain Coverage

Should Franchisee not procure and maintain insurance coverage as required by this Agreement, Franchisor has the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

ARTICLE 16 - DEFAULT AND TERMINATION

Section 16.1 Termination by Franchisee

If Franchisee is in compliance with this Agreement and Franchisor materially breaches this Agreement and fails to commence reasonable efforts to cure such breach within thirty (30) days after receiving written notice identifying the claimed breach, Franchisee has the right to terminate this Agreement unless the breach cannot reasonably be cured within such thirty (30) days. If the breach cannot reasonably be cured in such thirty (30) days, Franchisee has the right to terminate this Agreement only if Franchisor does not promptly undertake and continue efforts to cure such material breach.

Section 16.2 Termination by Franchisor

Non-curable Defaults

Franchisor has the right to terminate this Agreement, without any opportunity to cure by Franchisee, if Franchisee:

i. fails to pay the Initial Franchise Fee (or any balance thereof) at the time due;

ii. is convicted of or pleads no contest to a crime or offense that would place them on the sex offenders' registry, was a violent felony, crimes against a human, sexual harassment against an employee, any theft charge, or is likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Business;

iii. discloses, duplicates or otherwise uses in an unauthorized manner any portion of the Manual or any other Confidential Information or the Marks;

iv. abandons, fails or refuses to actively operate the Franchised Business for one (1) or more consecutive days (unless the Franchised Business has not been operational for a purpose approved by Franchisor), or, if first approved by Franchisor, fails to promptly relocate the Franchised Business following the expiration or termination of the lease for the Approved Location, the destruction or condemnation of the Approved Location or any other event rendering the Approved Location unusable;

v. surrenders or transfers control of the operation of the Franchised

Business without Franchisor's approval, makes or attempts to make an unauthorized direct or indirect assignment of the Franchise or an ownership interest in Franchisee, or fails or refuses to assign the Franchise or the interest in Franchisee of a deceased or incapacitated owner thereof as herein required;

vi. submits to Franchisor on two (2) or more separate occasions at any time during the term of the Franchise any reports or other data, information or supporting records that fail to report and/or understate by more than two percent (2%) any Royalty

Fee, or National Marketing Fund Contribution for any week or any other fees owed to Franchisor for any applicable accounting period and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error;

vii. is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless *supersedeas* bond is filed); if execution is levied against Franchisee's business or property; if lessor evicts Franchisee from the Approved Location; if a suit to foreclose any lien or mortgage against its Approved Location or equipment is instituted against Franchisee and not dismissed within thirty (30) days or is not in the process of being dismissed; if Franchisor is listed as a creditor in any legal action;

viii. misuses or makes an unauthorized use of any of the Marks or commits any other act which can reasonably be expected to impair the goodwill associated with any of the Marks;

ix. receives more than three (3) notices to cure during any one (1) year period of the term of this Franchise Agreement;

x. fails on two (2) or more separate occasions within any period of four (4) consecutive weeks to submit reports or other information or supporting records when due, to pay any Royalty Fee, National Marketing Fund Contribution, amounts due for purchases from Franchisor and/or any Affiliate, or other payment when due to Franchisor or any Affiliate, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;

xi. violates any insurance law, internal revenue statute, ordinance or regulation, or operates the Franchised Business in a manner that presents a health or safety hazard to its customers, employees or the public;

xii. engages in any activity exclusively reserved to Franchisor;

xiii. negatively communicates or impacts the Franchise system to any current or prospective franchisee, outside of Franchisor sponsored forums;

xiv. fails to comply with any applicable law or regulation within fifteen (15) days after being given notice of noncompliance, or as otherwise stated by applicable law;

xv. defaults on any lease necessary to running the Franchised business;

xvi. repeatedly breaches this Agreement and/or repeatedly fails to comply with mandatory specifications, customer service standards or operating procedures prescribed in the Manual, whether or not previous breaches or failures are cured; or

xvii. defaults under any other agreement between Franchisor (or any Affiliate) and Franchisee, such that Franchisor or its Affiliate, as the case may be, has the right to terminate such agreement or such agreement automatically terminates.

Curable Defaults

Except as otherwise provided above in this Section 16.2, Franchisor has the right to terminate this Agreement for the following breaches and defaults by giving notice of such termination and stating the nature of the default; provided, however, that Franchisee may avoid termination by curing such default or failure (or by providing proof acceptable to Franchisor that Franchisee has made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is affected if such default or failure cannot reasonably be cured before the effective date of the termination) within the specified period:

i. within seven (7) days of receiving notice of Franchisee's failure to pay any amounts due to Franchisor or National Marketing Fund Contribution;

ii. within thirty (30) days of receiving notice of Franchisee's failure to comply with any laws or regulations;

iii. is late more than seven (7) days on any payment due to Franchisor;

iv. fails to begin operating the franchised business within one hundred twenty (120) days, if a leased location, or one hundred fifty (150) days if building a location, after the Effective Date;

v. within ninety (90) days of receiving notice of Franchisee's failure to achieve the minimum gross sales requirements;

vi. within thirty (30) days of receiving notice that Franchisee has lapsed or lost any certifications required to operate the franchise. Franchisee must provide a District Manager who is adequately trained to run the franchised business. If Franchisee does not have someone during the sixty day period to run the business, Franchisor may terminate this Agreement immediately;

vii. fails to maintain the Franchised Business under the primary supervision of a District Manager during the thirty (30) days following the death or incapacity of Franchisee or any holder of a legal or beneficial interest in Franchisee pursuant to Section 18.6;

viii. fails to have the yearly a background check, credit check, requested Territory information, franchised business entity information, and a pre-training test consisting of information from the company's drink and managers manuals. checks completed by January 1st of each year, Franchisee has a twenty-four (24) hour right to cure;

ix. fails to complete Initial Training within ninety (90) days of signing the Franchise Agreement;

x. within thirty (30) days of receiving notice of any other default by Franchisee or upon Franchisee's failure to comply with any mandatory specification, standard or operating procedure prescribed in the Manual or otherwise prescribed in writing.

If any default is not cured within the above time, if a curable default, or for any longer time as applicable law may require, an Event of Default has occurred by Franchisee, and all of Franchisee's rights under this Agreement terminate without additional notice to Franchisee, effective immediately. In addition to the Events of Defaults listed within this Section, an event of Default by Franchisee occurs if Franchisee fails to comply with any of the covenants or requirements imposed by this Agreement, as it may be revised or supplemented by the Manuals, where the authority has been given to the Manuals by this Agreement or the Franchise Disclosure Document, or to carry out this Agreement in good faith. Franchisee has the burden of proving that Franchisee properly and timely cured any Default, to the extent a cure is permitted under this Agreement.

Section 16.3 Reinstatement and Extension

If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or non-renewal other than in accordance with applicable law, Franchisor may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to Franchisee without waiving any of Franchisor's rights under this Agreement.

Section 16.4 Right of Franchisor to Discontinue Services to Franchisee

If Franchisee is in breach of any obligation under this Agreement, and Franchisor delivers to Franchisee a notice of termination pursuant to Section 16.2, Franchisor has the right to suspend its performance of any of its obligations under this Agreement including, without limitation, the sale or supply of any services or products for which Franchisor or an Affiliate is an Approved Supplier to Franchisee or which Franchisee receives from an Approved Supplier who is not Franchisor, until such time as Franchisee corrects the breach.

Section 16.5 Cross-Defaults, Non-Exclusive Remedies, etc.

Any default by Franchisee regarding this particular franchise unit (or any person/company affiliated with Franchisee) under this Agreement may be regarded as a default under any other agreement between Franchisor (or any of Franchisor's Affiliates) and Franchisee (or any of Franchisee's affiliates). Any default by Franchisee (or any person/company affiliated with Franchisee) under any other agreement, specifically related to this particular franchise unit, including, but not limited to, any lease and/or sublease, between Franchisor (or any of Franchisor's Affiliates) and Franchisee (or any person/company affiliated with Franchisee), and any default by Franchisee (or any person/company affiliated with Franchisee) under any obligation to Franchisor (or any of Franchisor's Affiliates) may be regarded as a default under this Agreement. Any default by Franchisee, specific to this particular franchise unit (or any person/company affiliated with Franchisee) under any lease, sublease, loan agreement, security interest or otherwise, whether with Franchisor, any of Franchisor's Affiliates and/or any third party may be regarded as a default under this Agreement and/or any other agreement between Franchisor (or any of Franchisor's affiliates) and Franchisee (or any of Franchisee's affiliates). This provision specifically excludes a default regarding Franchise Unit #1 having a cross-defaulting effect on Franchise Unit #2, which is not in default based upon its own actions, which is owned by one or more of the same owners, members, partners, shareholders, or unit holders.

In each of the foregoing cases, Franchisor (and any of Franchisor's Affiliates) will have all remedies allowed by law, including termination of Franchisee's rights under the Franchise Agreement (and/or those of any person/company affiliated with Franchisee) and Franchisor's (and/or Franchisor's Affiliates') obligations under the Franchise Agreement. No right or remedy which Franchisor may have (including termination) is exclusive of any other right or remedy provided under law or equity. Franchisor is free to pursue any rights and/or remedies available.

ARTICLE 17 - RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION

Section 17.1 Actions to be Taken

Except as otherwise provided herein, upon termination and non-renewal or expiration, this Agreement and all rights granted herein to Franchisee shall terminate and Franchisee shall:

i. immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or Former Franchisee of Franchisor;

ii. immediately remove all identifying architectural superstructure and signage on or about the business bearing the Marks, in the manner Franchisor specifies. All property belonging to Franchisor will be held by Franchisee for delivery to Franchisor, at Franchisee's expense. Any signage that Franchisee is unable to remove within one business day of the termination of this Agreement must be completely covered by Franchisee until the time of its removal;

iii. deliver to Franchisor, all information, including any contracts, e-mail transmissions, written memorandums, customer sheets, or any other written or electronic data regarding customer lists or marketing efforts;

iv. refrain from taking any action to reduce the goodwill of Franchisee's Customers or potential Customers, towards Franchisor, other Franchisees or any other aspect of the System;

v. cease to use the Confidential Information, the System and the Marks including, without limitation, all signs, slogans, symbols, logos, advertising materials, stationery, forms and any other items which display or are associated with the Marks;

vi. upon demand by Franchisor, immediately assign (or, if an assignment is prohibited, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease) its interest in the lease then in effect for the Approved Location to Franchisor. Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after Termination or expiration of this Agreement. Franchisor has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due, with no liability for any previous months lease payments prior to Franchisor accepting the assignment or sublease;

vii. immediately take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any fictitious or assumed name or equivalent registration filed with state, city or county authorities which contains the name "Bottoms Up Espresso" or any other Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement;

viii. pay all sums owing, after the Effective Date of Termination or Expiration of this Agreement through the date that Franchisee completes all post-termination obligations required under this Agreement, to Franchisor, and any Affiliate, which may include, but not be limited to, all damages, liquidated damages, costs and expenses, unpaid Royalty Fees, and National Marketing Fund Contributions, or any other amounts due to Franchisor or any Affiliate within five (5) days after Termination or expiration of this Agreement or the date on which Franchisee completes all post-termination obligations required under this Agreement, whichever occurs first;

ix. immediately return to Franchisor the Manual(s) and all other Confidential Information including records, files, instructions, brochures, agreements, accounting reports, disclosure statements and any and all other materials provided by

Franchisor to Franchisee relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property);

x. assign all telephone listings and numbers for the Franchised Business to Franchisor and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers or facsimile numbers associated with the Franchised Business or Marks in any regular, classified or other telephone directory listing and shall authorize transfer of same to Franchisor, or its assignee;

xi. keep and maintain all business records pertaining to the business conducted at the Franchised Business for three (3) years after the Effective Date of Termination or Expiration of this Agreement. During this period, Franchisee will permit Franchisor to inspect such business records as frequently as Franchisor deems necessary; and

xii. comply with the Covenant of Non- Competition attached as Exhibit 2 to this Agreement, and all other applicable provisions of this Agreement.

If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor has the right to enter upon the premises for the purpose of making or causing to be made all changes as may be required, at a reasonable expense (this expense to be paid by Franchisee upon demand) and at Franchisee's sole risk and expense, without responsibility for any actual or consequential damages to Franchisee's property or others, and without liability for trespass or other tort or criminal act. Franchisee agrees that Franchisee's failure to make these alterations will cause an irreparable injury to Franchisor.

Franchisee must notify Franchisor in advance if Franchisee desires to remain in possession of the business and operate a noncompetitive business. Franchisee must make all modifications or alterations to the business immediately upon termination of this agreement as necessary to distinguish the appearance of the business from that of other BUE Franchisees operating under the System. Franchisee will make all specific additional changes to the Business as stated in section 17.1 (i) above. Franchisee agrees to refrain from taking any action to reduce the goodwill of Franchisee's customers or potential customers towards Franchisor, our Franchisees or any other aspect of the System.

Section 17.2 Post-Termination Covenant Not to Compete

Franchisee acknowledges the restrictive covenants contained in this Section and in Section 17.1 are fair and reasonable and will not impose any undue hardship on Franchisee or any Covered Person, since Franchisee and Covered Person has other considerable skills, experience, and education which afford Franchisee and Covered Person the opportunity to derive income from other endeavors, and are justifiably required for purposes including, but not limited to, the following:

i. protecting the Trade Secrets and other Confidential Information of Franchisor;

ii. inducing Franchisor to grant a Franchise to Franchisee; and

iii. inducing Franchisor to incur costs in training Franchisee and its officers, directors, executives, managers, District Managers and any other Covered Person, if necessary.

Except as otherwise approved in writing by Franchisor, neither Franchisee, nor any Covered Person shall, for a period of three (3) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity:

i. own an interest in, manage, operate or provide services to any Competitive Business located or operating (a) within 1 miles diameter of the Approved Location or within the Protected Non-Exclusive Territory (whichever is greater), and (b) within 1 miles diameter of the location of any other BUE™ Business in existence at the time of termination or expiration; or

ii. solicit or otherwise attempt to induce or influence any customer, employee or other business associate of Franchisor, its Affiliate(s) or any other franchisee to terminate or modify his, her or its business relationship with Franchisor, its Affiliate(s) or any other franchisee, by direct or indirect inducement or otherwise.

In furtherance of this Section, Franchisor has the right to require officers, managers, and partners along with certain individuals and any Covered Person to execute a standard form non-disclosure or non-competition agreements in a form the same as the Non-Disclosure and Non-Competition Agreement attached as Exhibit 2.

Section 17.3 Unfair Competition

If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in the Marks. Franchisee shall not utilize any designation of origin, description or representation that falsely suggests or represents an association or connection with Franchisor. This Section is not intended as an approval of Franchisee's right to operate other businesses and in no way is it intended to contradict Article 10 or 13. If Franchisor elects not to receive an assignment or sublease of the Approved Location, Franchisee shall make such modifications or alterations to the Approved Location (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Approved Location. Franchisee shall make such specific additional changes to the Approved Location as Franchisor may reasonably request for that purpose including, without limitation, removal of all physical and structural features identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor has the right to enter upon the Approved Location, without the threat of committing a tort or trespass, for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay immediately upon demand.

Section 17.4 Franchisor's Option to Purchase Certain Business Assets

Franchisor has the right (but not the duty), for a period of thirty (30) days after termination or expiration of this Agreement, to purchase any or all assets of the Franchised Business including leasehold improvements, equipment, supplies and other inventory.

If Franchisor or Franchisor's Assignee exercises the option to purchase, pending the closing of the purchase, Franchisor has the right to appoint a manager to maintain the operation of the BUE business. Alternatively, Franchisor may require Franchisee to close the BUE business during this time, without removing any assets. Franchisee will maintain, in force, all insurance policies required in this agreement until the date of closing. Franchisor agrees to use reasonable efforts to affect the termination of the existing lease for the location and enter into a new lease on reasonable terms with the landlord. If Franchisor is unable to enter into a new lease and Franchisees rights under the existing lease are assigned to Franchisor where Franchisor subleases the location from Franchisee, Franchisor indemnifies

Franchisee from any ongoing liability under the lease occurring after the date Franchisor assumes possession of the business.

The purchase price shall be equal to the assets' book value, excluding any goodwill or fair market value, whichever is less, and shall abide by the following:

i. if Franchisor and Franchisee are unable to agree on the book value of the Assets within thirty (30) days after Franchisee's receipt of Franchisor's notice of its intent to exercise its option to purchase the Assets, the book value shall be determined by two professionally certified appraisers, Franchisee selecting one and Franchisor selecting one. If the valuations set by the two appraisers differ by more than ten percent (10%) of the higher amount, the two appraisers shall select a third professionally certified appraiser who also shall appraise the book value of the Assets. The average value set by the appraisers (whether two or three appraisers as the case may be) shall be conclusive and shall be the Purchase Price. If, within a reasonable time, Franchisee fails to select a professionally certified appraiser, or the appraiser selected by Franchisee fails to set a value, or the two appraisers do not agree on a third appraiser when such an appraiser is required, then in any of those events the value set by the appraiser selected by Franchisor shall be conclusive;

ii. the appraisers shall be given full access to the Franchise Business and Franchisee's books and records during customary business hours to conduct the appraisal, and shall value the leasehold improvements, equipment, furnishings, fixtures, signs and inventory in accordance with the standards of this Section 17.4. The fees and costs of the appraiser or appraisers shall be borne equally by Franchisor and Franchisee on a 50/50 valuation;

iii. within three (3) days after the Purchase Price has been determined, Franchisor may exercise its option to purchase the Assets by so notifying Franchisee. The Purchase Price shall be paid in cash or cash equivalents at the closing of the purchase ("Closing"), which shall take place no later than sixty (60) days after Franchisor's receipt of the valuations set by the appraisers. At the Closing, Franchisee shall deliver instruments transferring to Franchisor or its assignee: (1) good and merchantable title to the Assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to Franchisor or its assignee), with all sales and other transfer taxes paid by Franchisee; (2) all licenses and permits for the Franchised Business that may be assigned or transferred, with appropriate consents if required; and (3) the lease or sublease for the Franchise Business, with appropriate consents if required. If Franchisee cannot deliver clear title to all of the purchased Assets as indicated in this Section, or if there are other unresolved issues, the Closing shall be accomplished through an escrow;

iv. prior to Closing, Franchisee and Franchisor shall comply with all applicable legal requirements, including the bulk sales provisions, if applicable, of the Uniform Commercial Code of the state in which the franchised business is located and the bulk sales provisions, if applicable, of any applicable tax laws and regulations. Franchisee shall, prior to or simultaneously with the Closing, pay all tax liabilities incurred in connection with the operation of the Franchised Business prior to Closing. Franchisor shall have the right to set off against and reduce the Purchase Price by any and all amounts owed by Franchisee to Franchisor and its Affiliates, and the amount of any encumbrances or liens against the Assets or any obligations assumed by Franchisor; and

v. if Franchisor or its assignee exercises the option to purchase, then Franchisee shall maintain in force all insurance policies required under this Agreement until the Closing. If the Franchised Business is leased, Franchisor agrees to use reasonable efforts to effect a termination of the existing lease for the Franchised Business. If the lease for the Franchised Business is assigned to Franchisor or if Franchisor subleases the Franchised Business from Franchisee, Franchisor shall indemnify and hold Franchisee harmless from any ongoing liability under the lease from the date Franchisor assumes possession of the Franchised Business. If Franchisee owns the Franchised Business location, Franchisor, at its option, will either purchase the fee simple interest or, upon purchase of the other Assets, enter into a standard lease with Franchisee on terms comparable to those for which similar commercial properties in the area are then being leased. The initial term of this lease with Franchisee shall be at least ten years (10) years and the rent shall be the fair market rental value of the franchised location. If Franchisee and Franchisor cannot agree on the fair market rental value of any franchised location, then the rental value shall be determined by an appraiser or appraisers selected and paid in the manner described in Sections 17.4(i) and (ii).

Section 17.5 Survival of Certain Provisions

All obligations of Franchisor and Franchisee, which expressly or by their nature survive the expiration or termination of this Agreement, shall continue in full force and effect until they are satisfied in full or by their nature expire.

Section 17.6 Existence of Claim

Franchisee expressly agrees that the existence of any claim that Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to our enforcement of the covenants in this Article 17.

Section 17.7 Injunction

Franchisee acknowledges that any threatened or actual failure to comply with the requirements of this Article 17 would cause Franchisor to suffer immediate and irreparable injury for which no adequate remedy at law may be available, and Franchisee hereby accordingly consents to the *ex parte* entry of an injunction prohibiting any conduct by Franchisee in violation of the terms of this Article 17. Franchisor may further avail itself of any other legal or equitable rights and remedies which it may have under this Agreement, statute, common law or otherwise.

Section 17.8 Franchisor is Attorney In Fact

Franchisor may, if Franchisee fails or refuses to do so, execute in Franchisee's name and on Franchisee's behalf any and all documents necessary to: cause discontinuation of Franchisee's use of the name, BUE or any other related or similar name or use thereunder; cancellations of services related to the Franchised Business; the execution of an assignment or sublease of the Approved Location; and Franchisor is hereby irrevocably appointed by Franchisee as Franchisee's Attorney-In-Fact to do so.

Section 17.9 Liquidated Damages

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages Franchisor would incur from this Agreement's termination and the loss of cash flow from continuing Royalty Fees due to, among other things, the complications of determining what costs, if any, Franchisor might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's remaining term. Therefore, upon termination of this Agreement according to its terms and conditions resulting from a breach by Franchisee, Franchisee agrees to pay to Franchisor within fifteen (15) days after the effective date of this Agreement's termination, in addition to the amounts owed hereunder, liquidated damages equal to One Thousand Dollars ($1,000.00) per day retroactive to first date of offense; plus average monthly amount of the last three (3) months royalties times the number of months left on the Franchise Agreement or until the Territory is resold, whichever occurs first, without the necessity of holding a full trial, and without the necessity of posting security or bond.

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages we would incur from this Agreement's termination and the loss of cash flow from continuing Royalty Fees due to, among other things, the complications of determining what costs, if any, we might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages. The liquidated damages provision only covers our damages from the loss of cash flow from the continuing Royalty Fees. Franchisor retains all other remedies available to it in equity or at law.

ARTICLE 18 - TRANSFERABILITY OF INTEREST

Section 18.1 Transfer by Franchisor

This Agreement and all rights and duties herein are fully transferable in whole or in part by Franchisor and such rights will inure to the benefit of any person or entity to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall assume the obligations of Franchisor herein and Franchisor shall thereafter have no liability for the performance of any obligations contained in this Agreement.

Section 18.2 Transfer by Franchisee to a Third Party

The rights and duties of Franchisee as set forth in this Agreement, and the franchise herein granted, are personal to Franchisee (or its owners), and Franchisor has entered into this Agreement in reliance upon Franchisee's (or its owners') personal or collective skills and financial ability. Accordingly, except for percentage of ownership transfers *inter se*, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee may sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted hereby, the Approved Location used in operating the Franchised Business, its assets or any part or all of the ownership interest in Franchisee without the prior written approval of Franchisor, such approval will not unreasonably be withheld. Any purported transfer without such approval shall be null and void and shall constitute a material breach of this Agreement. If Franchisee is in compliance with this Agreement, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements, which shall not be unreasonably withheld, conditioned or delayed, if Franchisor has not exercised their right of first refusal, other than the completion of the below items:

i. Franchisee has complied with the requirements set forth in Article 19;

ii. Franchisee has paid the Transfer Fee to Franchisor in an amount equal to Ten Thousand Dollars and 00/100 ($10,000.00);

iii. Transferee has paid to Franchisor the Transfer Training Fee of Five Thousand Dollars And 00/100 ($5,000.00) and scheduled training for Transferee and Transferee's District Manager, if different then Franchisee's District Manager, not more than 90 days from the date of Transfer;

iv. all obligations owed to Franchisor, and all other outstanding obligations relating to the Franchised Business, are fully paid and satisfied;

v. Franchisee (and any transferring owners) has executed a general release, in a form the same as the General Release attached as Exhibit 1; provided, however, that if a general release is prohibited, Franchisee shall give the maximum release allowed by law;

vi. the prospective Transferee has satisfied to Franchisor's satisfaction that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require, to operate a franchised business;

vii. the Transferee and, if Franchisor requires, all persons owning any interest in the Transferee, have executed the then-current Franchise Agreement for new franchisees, which may be substantially different from this Agreement, including different Royalty Fee and National Marketing Fund Contribution rates and other material provisions, and the franchise agreement then executed shall be for the term specified in such agreement;

viii. the Franchisee has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, but also including in the general release terms releasing, any and all claims against Franchisor and its officers, directors, shareholders, managers, members, partners, legal representatives, attorneys, agents, owners and employees, in their corporate and individual capacities, with respect to any representations regarding the Franchise or the business conducted pursuant thereto or any other matter that may have been made to the Transferee by Franchisee; provided, however, that if a general release is prohibited, Franchisee shall give the maximum release allowed by law;

ix. Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective Transferee relating to the intended sale or transfer of the Franchise;

x. the Transferee, or all holders of a legal or beneficial interest in the Transferee, has agreed to be personally bound jointly and severally by all provisions of this Agreement for the remainder of the term;

xi. Franchisee has agreed to be bound by the obligations of the new franchise agreement, any existing Franchise contracts and to guarantee the full performance thereof by the Transferee, if required by Franchisor;

xii. Transferee has obtained all necessary consents and approvals by third parties (such as the lessor of the Approved Location) and all applicable Federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied;

xiii. Franchisee, and in the event Franchisee is an entity, all of the holders of a legal and beneficial interest in Franchisee, and District Manager has executed and delivered to Franchisor a Non-Disclosure and Non-Competition Agreement in a form satisfactory to Franchisor and in a substance the same as the Non-Disclosure and Non-Competition covenants contained in Articles 7 and 17 and attached as Exhibit 2;

xiv. the Transferee agrees that its District Manager shall complete, to Franchisor's satisfaction, a training program, in substance, similar to the initial training described in Article 8 prior to assuming the management of the day-to-day operation of the Franchised Business.

Transferee shall receive the franchised businesses Protected Non-Exclusive Territory with all rights to exclusivity and scope as the Franchisee owns on the day of transfer.

Section 18.3 Transfer to a Controlled Entity

If Franchisee wishes to transfer this Agreement or any interest herein to a corporation, limited liability company or other legal entity which shall be entirely owned by Franchisee ("Controlled Entity"), which Controlled Entity is being formed for the financial planning, tax or other convenience of Franchisee, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

i. the Controlled Entity is newly organized and its charter provides that its activities are confined exclusively to the operation of the Franchised Business;

ii. Franchisee, or all holders of a legal or beneficial interest in Franchisee, own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

iii. all obligations of Franchisee to Franchisor, or any Affiliate, are fully paid and satisfied; provided, however, that neither Franchisee nor the Controlled Entity shall be required to pay a transfer fee as required pursuant to Section 18.2;

iv. the Controlled Entity has entered into a written agreement with Franchisor expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Franchised Business. If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to Franchisor prior to consent by Franchisor;

v. all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with Franchisor, jointly and severally, guaranteeing the full payment of the Controlled Entity's obligations to Franchisor and the performance by the Controlled Entity of all the obligations of this Agreement;

vi. each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and

vii. copies of the Controlled Entity's articles of incorporation or organization, bylaws, operating agreement, federal tax identification number and other governing regulations or documents, including resolutions of the board of directors and stockholders, managing members and members and general partners and limited partners, as applicable, authorizing entry into this Agreement, have been promptly furnished to Franchisor. Any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption.

The term of the transferred franchise shall be the unexpired term of this Agreement, including all renewal rights, subject to any and all conditions applicable to such renewal rights.

Franchisor's consent to a transfer of any interest in this Agreement, or of any ownership interest in the Franchised Business, shall not constitute a waiver of any claims Franchisor may have against the transferor or the Transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

Section 18.4 Franchisor's Disclosure to Transferee

Franchisor has the right but not the obligation, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended Transferee of Franchisee all or any part of Franchisor's records relating to this Agreement, the Franchised Business or to the history of the relationship of the parties hereto. Franchisee hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless from and against any claim, loss or injury resulting from an inspection of Franchisor's records relating to the Franchised Business by an intended Transferee identified by Franchisee.

Section 18.5 For-Sale Advertising

Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Franchised Business, or in any communication media, any form of advertising relating to the sale of the Franchised Business or the rights granted herein. Franchisor will not withhold consent for "For-Sale Advertising" unreasonably upon written notice by Franchisee.

Section 18.6 Transfer by Death or Incapacity

Upon the death or incapacity (as determined by a court of competent jurisdiction) of any individual franchisee or any holder of a legal or beneficial interest in Franchisee, the appropriate representative of such person (whether administrator, personal representative or trustee) will, within a reasonable time not exceeding six (6) months following such event, transfer such individual's interest in the Franchised Business or any holder's legal or beneficial interest in Franchisee to a third party approved by Franchisor or Franchisor shall have the right to terminate this Agreement. Such transfers, including transfers by will or inheritance shall be subject to the conditions for assignments and transfers contained in this Agreement unless prohibited by the choice of law provision of the state where Franchisee resided, with such choice of law provision being applicable only for this Section 18. During such six (6) months period, the Franchised Business must remain at all times under the primary management of a District Manager who otherwise meets Franchisor's management qualifications.

Following the death or incapacity of an owner of the Franchised Business, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume operation of the Franchised Business until the deceased or incapacitated owner's interest is transferred to a third party approved by Franchisor. Franchisor may charge a management fee as stated in the Manual from time to time, currently equal to its then-current daily rate as published in the Manual(s) plus reasonable expenses.

Section 18.7 Transfer upon Divorce or Partnership Dissolution

If this Agreement is in the name of two persons who are husband and wife or two or more persons who are partners as Franchisees, this section describes the policies to be applied upon divorce or dissolution of the partnership. During the period when a divorce or partnership dissolution action is pending, you must adopt one of the following methods of operation:

i. if one of the parties is willing to relinquish his or her right and interest in the franchise, thereby leaving his or her spouse or partner(s) to carry on the franchise unit, he or she may do so by assigning the interest to his or her spouse or to his or her partner(s) provided the remaining spouse or partner(s) has successfully completed basic management training;

ii. if the parties to a divorce or dissolution action agree that, despite their difficulties, they can continue to operate the franchised business jointly on a "business-as-usual" basis during the proceeding, they may do so; or

iii. if the parties in a divorce action or in partnership dissolution are not agreeable to operate under alternatives (a) or (b) then they must make arrangements to have their franchise business operated by a third party manager until the divorce or dissolution may be completed. The new manager must be approved by Franchisor and have satisfactorily completed basic management training; and

iv. divorcing parties may, after final order or judgment, continue to operate their franchise business in the form of a partnership or other business entity even though they are no longer husband-and-wife. In such case, however, they must enter a formal agreement which defines the respective rights and obligations, file a signed copy with Franchisor, assign this agreement to the new entity, and comply with all other requirements for establishing the franchise business as a partnership or other business entity.

ARTICLE 19 - RIGHT OF FIRST REFUSAL

Section 19.1 Submission of Offer

If Franchisee, or any of its owners, proposes to sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted herein, Franchisee shall obtain and deliver a *bona fide*, executed written offer or proposal from a responsible and fully disclosed person or entity, as applicable, along with all pertinent documents including any contract or due diligence materials, to Franchisor. The offer must apply only to the assets or interests listed above and may not include any other property or rights of Franchisee or any of its owners.

Section 19.2 Franchisor's Right to Purchase

Franchisor shall, for fourteen (14) days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to offer to purchase the offered assets or interest for the price Franchisor determines to be fair market value. Franchisor has the right to substitute cash for the fair market value of any form of payment proposed in such offer. Franchisor's credit shall be deemed at least equal to the credit of any such above-referenced disclosed person or entity, as applicable. After providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to sixty (60) days to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal.

Section 19.3 Non-Exercise of Right of First Refusal

If Franchisor does not exercise this Right of First Refusal within fourteen (14) days, the offer or proposal may be accepted by Franchisee or any of its owners, subject to Franchisor's prior written approval as required by Section 18.2. Should the sale, assignment, conveyance, gift, pledge, mortgage, sublicense or otherwise transfer fail to close within sixty (60) days after the offer is delivered to Franchisor, Franchisor's Right of First Refusal shall renew and be implemented in accordance with this Article 19.

ARTICLE 20 - BENEFICIAL OWNERS OF FRANCHISEE

Franchisee represents, and Franchisor enters into this Agreement in reliance upon such representation, that the individuals identified in Exhibit 4 as Holders of a Legal or Beneficial Interest are the sole holders of a legal or beneficial interest (in the stated proportions) of Franchisee, and further that:

i. Representations. If Franchisee is a corporation, a limited liability company or a partnership, Franchisee makes the following representations and warranties: (1) it is duly organized and validly existing under the laws of the state of its formation; (2) it is qualified to do business in the state(s) in which the Territory is located; (3) execution of this Agreement and the development and operation of the Business are permitted by its governing documents; and (4) Franchisee's Articles of Incorporation, Articles of Organization or written partnership agreement shall at all times provide that the activities of Franchisee are limited exclusively to the development and operation of the Franchise Business and such other Franchise Businesses (if any) as Franchisor may authorize Franchisee to develop and operate;

ii. Governing Documents. If Franchisee is a corporation, Franchisee represents and warrants that copies of Franchisee's Articles of Incorporation, bylaws, other governing documents and any amendments, including the resolution of the Board of Directors authorizing entry into and performance of this Agreement, have been furnished to Franchisor. If Franchisee is a limited liability company, Franchisee represents and warrants that copies of Franchisee's Articles of Organization, other governing documents and any amendments, including the resolution of the Members or Managers authorizing entry into and performance of this Agreement, have been furnished to Franchisor. If Franchisee is a partnership, Franchisee represents and warrants that copies of Franchisee's written partnership agreement, other governing documents and any amendments, have been furnished to Franchisor, in addition to evidence of consent or approval of the entry into and performance of this Agreement by the requisite number or percentage of partners, if that approval or consent is required by Franchisee's written partnership agreement. When any of these governing documents are modified or changed, Franchisee shall provide copies to Franchisor promptly;

iii. Ownership Interests. If Franchisee is a corporation, a limited liability company or a partnership, Franchisee represents and warrants that all interests in Franchisee are owned as set forth in attached Exhibit 4. In addition, if Franchisee is a corporation, Franchisee shall maintain a current list of all owners of record and all beneficial owners of any class of voting securities of the corporation (and the number of shares owned by each). If Franchisee is a limited liability company, Franchisee shall maintain a current list of all members (and the percentage membership interest of each member). If Franchisee is a partnership, Franchisee shall maintain a current list of all owners of an interest in the partnership (and the percentage ownership of each owner). Franchisee shall comply with Section 22 prior to any change in ownership interests and shall execute and deliver to Franchisor addenda to Exhibit 4 as changes occur in order to ensure the information contained in Exhibit 4 is true, accurate and complete at all times.

ARTICLE 21 - RELATIONSHIP AND INDEMNIFICATION

Section 21.1 Relationship

This Agreement is purely a contractual relationship between the parties and does not appoint or make Franchisee an agent, legal representative, joint venture, partner, employee, servant or independent contractor of Franchisor for any purpose whatsoever. Franchisee may not represent or imply to third parties that Franchisee is an agent of Franchisor, and Franchisee is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on Franchisor's behalf. During the term of this Agreement, and any extension or renewal hereof, Franchisee shall hold itself out to the public only as a franchisee and an owner of the Franchised Business operating the Franchised Business pursuant to a franchise from Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Approved Location and on all forms, stationery or other written materials, the content of which Franchisor has the right to specify. Under no circumstances shall Franchisor be liable for any act, omission, contract, debt, nor any other obligation of Franchisee. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Franchised Business. Any third party contractors and vendors retained by Franchisee to convert or construct the premises are independent contractors of Franchisee alone.

Section 21.2 Standard of Care

This Agreement does not establish a fiduciary relationship between the parties. Unless otherwise specifically provided in this Agreement with respect to certain issues, whenever this Agreement requires Franchisee to obtain Franchisor's written consent or permits Franchisee to take any action or refrain from taking any action Franchisee shall do so. If Franchisee fails to do so, it shall be considered an act of Default.

Section 21.3 Indemnification

Franchisee shall hold harmless and indemnify Franchisor Indemnitees from and against all losses and expenses (as defined herein) incurred in connection with any action, suit, demand, claim, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises out of or is based upon any of the following, Franchisee's: (a) ownership or operation of the Franchised Business; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or ruling, standard, or directive or of any industry standard; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or an Affiliate); (d) libel, slander or any other form of defamation by Franchisee including defamation of Franchisor or the System; (e) acts, errors or omissions committed or incurred in connection with the Franchised Business, including any negligent or intentional acts or omissions by Franchisee or any of Franchisee's agents, servants, employees, contractors, partners, proprietors, affiliates, or in any manner in connection with the Franchised Business; or (f) infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Confidential Information; (g) the inaccuracy, lack of authenticity, or non-disclosure of any information by Franchisee; (h) any unapproved service provided by Franchisee at, from, or related to the operation at the Approved Location; (i) or any services provided by any affiliated or non-affiliated participating entity.

For the purpose of this Section, the term "losses and expenses" shall be deemed to include all losses, compensatory, exemplary or punitive damages, fines, charges, costs, expenses, lost profits, attorneys' fees, experts' fees, court costs, settlement amounts, judgments, compensation for damages to our reputation and goodwill, costs of or resulting from delays, costs of or resulting from franchisees duties in the preparation of the purchase order regarding franchisees taking accurate measurements and representing the customer's desire for both color and type of fabric, financing, costs of advertising material and media time/space, and costs of changing, substituting, or replacing same, and any and all expenses of recall, refunds, compensation, public notices, and other such amounts incurred in connection with the matters described. Franchisee agrees to give us notice of any such action, suit, proceeding, claim, demand, inquiry, or investigation. The foregoing indemnification shall not apply to losses or expenses arising from our gross negligence or willful acts.

At Franchisee's expense and risk, Franchisor may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement of any such action, suit, proceeding, claim, demand, inquiry or investigation, provided that Franchisor will seek Franchisee's advice and counsel and shall keep Franchisee informed with regard to any such proposed or contemplated settlement(s).

Such an undertaking by Franchisor shall in no manner or form diminish Franchisee obligation to indemnify Franchisor and to hold Franchisor harmless.

All losses and expenses incurred under this Section 21.3 shall be chargeable to and paid by Franchisee pursuant to Franchisee's obligations of indemnity under this Section, regardless of any actions, activity or defense undertaken by us or the subsequent success or failure of such actions, activity or defense.

Franchisor Indemnitees do not assume any liability whatsoever for acts, errors, or omissions of those with whom Franchisee may contract, regardless of the purpose. Franchisee shall hold harmless and indemnify Franchisor Indemnitees for all losses and expenses which may arise out of any acts, errors, or omissions of these third parties.

Under no circumstances shall Franchisor Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against Franchisee. Franchisee agrees that the failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable by Franchisor Indemnitees from Franchisee.

Franchisor's right to indemnity shall exist notwithstanding the fact that joint or several liability may be imposed upon Franchisor by statute, ordinance, regulation or judicial or arbitral decision.

Section 21.4 Right to Retain Counsel

Franchisee shall give Franchisor immediate notice of any such action, suit, demand, claim, investigation or preceding that may give rise to a claim for indemnification by a Franchisor Indemnitee. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. If Franchisor's exercise of its rights under this Section causes any of Franchisee's insurers to refuse to pay a third party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

ARTICLE 22 - GENERAL CONDITIONS AND PROVISIONS

Section 22.1 No Waiver

No failure of Franchisor to exercise any power reserved to it herein, or to insist upon strict compliance by Franchisee with any obligation or condition herein, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

Section 22.2 Injunctive Relief and Specific Performance

A breach by Franchisee of any of the restrictions or obligations contained in Articles 6, 7 and/or 17 would result in irreparable injury to Franchisor as the damages arising out of any such breach would be difficult to ascertain. Therefore, Franchisor, in its sole discretion, shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated, and/or specific performance with respect to such breach without the necessity of posting security or bond, or having an evidentiary hearing, even if required by statute in the Franchisee's jurisdiction, provided that an original notarized copy of this Agreement is provided to a Court of competent jurisdiction.

Section 22.3 Notices

All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director, manager or partner of the recipient party); (b) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; (c) five (5) business days after being sent by Registered Mail, return receipt requested, (d) three (3) business days after being sent via International Airmail, or (e) on the date the return receipt is signed or delivery is refused or the notice is designated by the postal authorities as not deliverable, if mailed. Either party may change its address by a written notice sent in accordance with this Section 22.3. All notices, payments and reports required by this Agreement shall be sent to Franchisee at the address set forth in the introductory paragraph of this Agreement and to Franchisor at the following address:

BUE Franchising, LLC
Attn: Nathan Wilson
3651 Lindell Road, Suite 11
Las Vegas, NV 89103

With a copy to:
Spadea Lignana LLC
Attn: Andrew Matson, Esq.
1315 Walnut Street, Suite 1532
Philadelphia, PA 19107

Section 22.4 Guaranty and Assumption of Obligations

All holders of a legal or beneficial interest in Franchisee of five percent (5%) or greater shall be required to execute, as of the date of this Agreement, the Guaranty and Assumption of Obligations attached as Exhibit 3.

Section 22.5 Approvals

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor for its approval and, except as otherwise specifically provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee or any third party, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval.

Section 22.6 Entire Agreement

This Agreement, the Manual and the Exhibits attached hereto and thus made a part hereof and any other documents referred to herein shall be construed together and constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof and shall supersede all prior agreements. No other representation, oral or otherwise, has induced Franchisee to execute this Agreement, and there are no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with respect to the matters set forth in or contemplated by this Agreement or otherwise. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties. Nothing in this Agreement or any related agreement is intended to disclaim the representations Franchisor has made in the Franchise Disclosure Document.

Section 22.7 Severability and Modification

Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable. If any Section, paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, Sections, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid Sections, paragraphs, parts, terms or provisions shall be deemed not part of this Agreement. If Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement. If any term of this agreement may be construed in two or more ways, one that would render the term invalid or otherwise voidable or unenforceable and another that would render the term valid and enforceable, that term has the meaning that renders it valid and enforceable.

Notwithstanding the above, each of the covenants contained in Articles 7 and 17 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Confidential Information or on competition to the maximum extent provided or permitted by law.

Section 22.8 Construction

All captions herein or in the Exhibits attached hereto and thus made a part hereof, are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof or thereof. Should any provision of this Agreement require interpretation or construction, it is agreed by Franchisor and Franchisee the court, administrative body, mediation panel, sole mediator or other person or entity interpreting or construing this Agreement shall not apply a presumption the provisions hereof shall be more strictly construed against Franchisor by reason of the rule of construction that a document is to be construed more strictly against the person or entity who, or through its agent, prepared same.

Section 22.9 Force Majeure

Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies to Franchisor or Approved Suppliers, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, terrorism, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement.

Section 22.10 Timing

Time is of the essence. Except as set forth in Section 22.9, failure to perform any act within the time required or permitted by this Agreement, shall be a material breach of this Agreement.

Section 22.11 Withholding Payments

Franchisee shall not, for any reason, withhold payment of any Royalty Fees, National Marketing Fund Contributions or other amounts due to Franchisor or to an Affiliate. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. Notwithstanding anything in this Agreement to the contrary, no endorsement or statement on any payment (or on any document accompanying said payment) for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction. Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

Section 22.12 Further Assurances

Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

Section 22.13 Third-Party Beneficiaries

The parties agree that all other Franchisees are third-party beneficiaries to the terms of this agreement and have the right to separately enforce the Franchisees covenants, if the Franchisor is unwilling or unable to enforce the Franchisee covenants.

Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

Section 22.14 Multiple Originals

Both parties will execute multiple copies of this Agreement, and each executed copy will be deemed an original.

Section 22.15 Survival of Terms

Each provision of Articles 17, 21, 22, 24, and those provisions hereinabove provided relating to covenants against post-termination/expiration use of the Proprietary Marks, Know-How and Copyrights will be deemed to be self-executing and continue in full force and effect subsequent to and notwithstanding the expiration, termination, setting aside, cancellation, rescission, unenforceability or otherwise of this Agreement (or any part of it) for any reason, will survive and will govern any claim for rescission or otherwise. Each provision of this Agreement will be construed as independent of, and severable from, every other provision; provided that if any part of this Agreement is deemed unlawful in any way, the parties agree that such provision will be deemed interpreted and/or modified to the minimum extent necessary to make such provision lawful or, if such construction is not permitted or available, the remainder of this Agreement will continue in full force and effect. Each party reserves the right to challenge any law, rule or judicial or other construction which would have the effect of varying or rendering ineffective any provision of this Agreement.

ARTICLE 23 - DISPUTE RESOLUTION

Section 23.1 Choice of Law

Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Nevada (without reference to its conflict of laws principles). References to any law refer also to any successor laws and to any published regulations for such law, as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

Section 23.2 Consent to Jurisdiction

Claims for injunctive relief or specific performance, or otherwise may be brought by Franchisor (i) where Franchisee resides or does business, (ii) where the Franchised Business is, or was located, (iii) in Sacramento County, Caliornia, where counsel is located, or (iv) where the claim arose; and Franchisee hereby waives all questions of personal jurisdiction and venue for the purpose of carrying out this provision.

Franchisee shall file any suit against Franchisor only in Sacramento County, Caliornia, in the federal or state court having jurisdiction; and Franchisor hereby waives all questions of personal jurisdiction and venue for the purpose of carrying out this provision.

Section 23.3 Rights and Remedies

Remedies are cumulative. No remedy in this Agreement for any party is intended to be exclusive of any other remedy. Each remedy is cumulative and is in addition to every other remedy given under this Agreement, now or later existing, at law, in equity, by statute or otherwise. Nothing contained herein shall bar Franchisor's right to obtain injunctive relief or specific performance against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions. Franchisee's rights and remedies regarding Franchisor's breach of this Agreement are as set forth in this Agreement.

Section 23.4 Limitations of Claims

Except for claims by Franchisor for payments owed by Franchisee under this Agreement, any claim concerning the Franchised Business or this Agreement or any related agreement will be barred unless an action relating to the ownership of any of Franchisor's Marks, or for injunctive relief, specific performance or mediation, as set forth in this Agreement, is commenced within two (2) years from the date on which Franchisee or Franchisor knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.

Section 23.5 Limitation of Damages

Franchisee and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other, other than those stated within this Agreement. Franchisee waives and disclaims any right or claim to consequential damages against Franchisor concerning this Agreement or any related agreement. In any claim or action brought by Franchisee against Franchisor concerning this Agreement, Franchisee's damages shall not exceed an amount greater than Franchisee's Initial Fee and Royalty Fee payments.

Franchisee acknowledges that if any claim or action is begun for the enforcement of this Agreement or for any alleged dispute, breach, default or misrepresentation under any term of this Agreement, the prevailing party is entitled to recover reasonable pre-institution and post-institution attorneys' fees, court costs and all expenses even if not taxable as court costs (including all fees and expenses incident to mediation, appellate, bankruptcy and post judgment proceedings), incurred in the action or proceeding in addition to any other relief that the party is entitled. Attorney's fees include paralegals fees, administrative costs, investigated costs, cost of expert witnesses, court reporter fees, sales and use taxes, if any, and all other charges billed by the attorneys to the prevailing party. The non-prevailing party must reimburse the prevailing party on demand for all of the above listed expenses the prevailing party incurs.

Section 23.6 Waiver of Jury Trial

FRANCHISEE AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION WHATSOEVER, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM, INCLUDING BUT NOT LIMITED TO, RELATING TO THE OWNERSHIP OF ANY OF FRANCHISOR'S MARKS OR THE UNAUTHORIZED USE OR DISCLOSURE OF FRANCHISOR'S TRADE SECRETS OR CONFIDENTIAL INFORMATION OR FOR INJUNCTIVE RELIEF OR SPECIFIC PERFORMANCE.

Section 23.7 Mediation

Except for actions or claims for injunctive relief or specific performance or the unauthorized use or disclosure of Franchisor's Trade Secrets or Confidential Information, all claims, disputes and other matters in question between Franchisor and Franchisee arising out of or relating to this Agreement, the business relationship or any other agreement, including whether this Mediation clause is binding upon the parties, shall be resolved by non-binding mediation before the Center for Public Resources -- National Franchise Mediation Program, FAM, or another mutually agreeable mediator. Notwithstanding the above, the following shall not be subject to mediation:

i. disputes and controversies arising from the Sherman Act, the Clayton Act or any other Federal or state antitrust law;

ii. disputes and controversies based upon or arising under the Lanham Act, as now or hereafter amended, relating to the ownership or validity of any Confidential Information, the Proprietary Marks or any other trademarks;

iii. disputes and controversies relating to actions to obtain possession of the premises of the Business under lease or sublease.

Both parties will sign a confidentiality agreement reasonably satisfactory to Franchisor. Upon submission, the obligation to attend mediation in the county and state designated by Franchisor (currently Las Vegas, Nevada) is binding on both parties. Each party will bear his, her or its own costs for the mediation, except the mediation fee and the fee for the mediator will be split equally.

To initiate mediation, either Franchisor or Franchisee shall appoint one mediator and after appointment of the mediator, shall notify in writing the other of such appointment and the name of and the contact information for the mediator within three (3) business days after selection of said mediator. The mediation shall be conducted in Las Vegas, Nevada as directed by the sole mediator. If an agreement is reached between the parties, then the signed award of the mediator shall be final and binding upon Franchisor and Franchisee and any other party to the mediation. Judgment may be entered upon the award of the mediator in any court having competent jurisdiction. If the first mediation between the Franchisor and Franchisee is not successful, both parties agree, prior to instituting any court action except as excluded within this Section, to participate in a second mediation session, and a third if necessary, which shall last at least fifteen (15) hours or until an agreement is reached whichever occurs first.

Franchisee acknowledges it has read the terms of this non-binding mediation provision and affirms each provision is entered into willingly and voluntarily and without any fraud, duress or undue influence on the part of Franchisor or any of Franchisor's agents or employees.

Section 23.8 Withholding Consent

In no event will Franchisee make any claim, whether directly, by way of setoff, counter-claim, defense or otherwise, for money damages or otherwise, by reason of any withholding or delaying of any consent or approval by us. Franchisee's sole remedy for any such claim is to submit it to non-binding mediation as described in this Article 23.

ARTICLE 24 - ACKNOWLEDGMENTS

Franchisee hereby acknowledges the following:

24.1. Franchisee has conducted an independent investigation of all aspects relating to the financial, operational and other aspects of the business of operating the Franchised Business. Franchisee further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee by Franchisor and Franchisee and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee may experience as a franchisee under this Agreement.

______
Initial

24.2. Franchisee has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee and its efforts as an independent business operation.

______
Initial

24.3. Franchisee agrees that no claims of success or failure have been made to it or him or her prior to signing this Agreement and that it/she/he understands all the terms and conditions of this Agreement. Franchisee further acknowledges that this Agreement contains all oral and written agreements, representations and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

______
Initial

24.4. Franchisee has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by this Agreement that are contrary to the terms of this Agreement or the documents incorporated herein. Franchisee acknowledges that no representations or warranties are made or implied, except as specifically set forth herein. Franchisee represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining this Agreement.

______
Initial

24.5. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

______
Initial

24.6. Franchisee acknowledges that Franchisor's approval or acceptance of Franchisee's Business location does not constitute a warranty, recommendation or endorsement of the location for the Franchised Business, or any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

______
Initial

24.7. Franchisee acknowledges that it has received the Primp and Play Franchising LLC Franchise Disclosure Document with a complete copy of this Agreement and all related Exhibits and agreements at least fourteen (14) calendar days prior to the date on which this Agreement was executed. Franchisee further acknowledges that Franchisee has read such Franchise Disclosure Document and understands its contents.

______
Initial

24.8. Franchisee acknowledges that it has had ample opportunity to consult with its own attorneys, accountants and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee with respect to this Agreement or the relationship thereby created.

______
Initial

24.9. Franchisee, together with Franchisee's advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by this Agreement.

______
Initial

24.10. Franchisee is aware of the fact that other present or future franchisees of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

_____
Initial

24.11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein; and it is understood that Franchisor does not warrant that such products will not be sold within the Franchisee's Territory by others who may have purchased such products from Franchisor.

_____
Initial

24.12. Release of Prior Claims. BY EXECUTING THIS AGREEMENT, FRANCHISEE AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE BUE FRANCHISING LLC, BOTTOMS UP ESPRESSO, INC., THE BOTTOMS UP INDEMNITEES, AND ALL OF THEIR OFFICERS, DIRECTORS, SHAREHOLDERS, AGENTS AND SUCCESSORS AND ASSIGNS FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF.

_____
Initial

[THIS AREA IS INTENTIONALLY LEFT BLANK]

Even though this Agreement contains provisions requiring Franchisee to operate the Business and the Franchised Business in compliance with the System: (1) Franchisor does not have authority to control the day-to-day conduct and operation of Franchisee's business or employment decisions; and (2) Franchisee and Franchisor do not intend for Franchisor to incur any liability to third parties in connection with or arising from any aspect of the System or Franchisee's use of the System, whether or not in accordance with the requirements of the Manuals.

Nothing in this Agreement or any related Agreement is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document. The submission of this Agreement to Franchisee does not constitute an offer to Franchisee, and this Agreement shall become effective only upon execution by Franchisor and Franchisee.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed and delivered this Agreement on the Effective Date.

FRANCHISOR:
BUE FRANCHISING, LLC

By:_______________________________

Name: Nathan Wilson

Title: Franchise Founder/President

FRANCHISEE:
____,
____

By:______________________________________

Name:_______________________________

Title: __________________________________

[or, if an individual]

Signed:__________________________________

Name printed:______________________

EXHIBIT 1 TO THE FRANCHISE AGREEMENT

GENERAL RELEASE

THIS GENERAL RELEASE is made and given on this_____day of_________________, 20_____ by ____, ("RELEASOR") an individual/corporation/ limited liability company/partnership with a principal address of _________ ____, in consideration of:

- ❒ the execution by BUE Franchising, LLC ("RELEASEE") of a successor Franchise Agreement or other renewal documents renewing the franchise (the "Franchise") granted to RELEASOR by RELEASEE pursuant to that certain Franchise Agreement (the "Franchise Agreement") between RELEASOR and RELEASEE; or

- ❒ RELEASEE'S consent to RELEASOR'S transfer or assignment of its rights and duties under the Franchise Agreement; or

- ❒ RELEASEE'S consent to RELEASOR'S transfer or assignment of its ownership of all or any part of the Franchise; or

- ❒ RELEASEE'S consent to RELEASOR'S assumption of rights and duties under the Franchise Agreement; or

- ❒ RELEASEE'S consent to termination of the Franchise Agreement; or

- ❒ RELEASEE'S refund of $______________RELEASOR paid to RELEASEE,

and other good and valuable consideration, and accordingly:

RELEASOR hereby releases and discharges RELEASEE, RELEASEE'S officers, directors, managers, agents, legal representatives, attorneys, shareholders, members, partners, owners and employees (in their corporate and individual capacities), and RELEASEE'S successors and assigns, from any and all causes of action, suits, arbitrations, debts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, that RELEASOR and RELEASOR'S heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this RELEASE arising out of or related to the Franchise, the Franchised Business (as defined in the Franchise Agreement) or the Franchise Agreement, including, without limitation, claims arising under federal, state or local laws, rules or ordinances; and

RELEASEE hereby releases and discharges RELEASOR, RELEASOR'S officers, directors, managers, agents, legal representatives, attorneys, shareholders, members, partners, owners and employees (in their corporate and individual capacities), and RELEASOR'S successors and assigns, from any and all causes of action, suits, arbitrations, debts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, that RELEASEE and RELEASEE'S heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this RELEASE arising out of or related to the Franchise, the Franchised Business (as defined in the Franchise Agreement) or the Franchise Agreement, including, without limitation, claims arising under federal, state or local laws, rules or ordinances

This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by RELEASOR and RELEASEE.

IN WITNESS WHEREOF, RELEASOR has executed this General Release as of the date first above written.

RELEASOR:_____________________________________
(type/print name)

By: ______________________________________

Name:____________________________________

Title:_____________________________________

(or, if an individual)

Signed:___________________________________

Name printed:_____________________________________

RELEASEE: BUE Franchising, LLC

By: ____

Name: Nathan Wilson

Title: Franchise Development Founder/President

EXHIBIT 2 TO THE FRANCHISE AGREEMENT

NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

This NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("Agreement") made as of the_____day of____________________________, 20____, (the "Effective Date") is by and between ____ ("Franchisee") and ____("Individual").

W I T N E S S E T H:

WHEREAS, Franchisee is a party to that certain BUE Franchising, LLC Franchise Agreement ("Franchise Agreement") by and between Franchisee and BUE Franchising, LLC ("Company"); and __

WHEREAS, Franchisee desires Individual to have access to or to review certain Trade Secrets and other Confidential Information of the Company, which are more particularly described below; and

WHEREAS, Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to Company's Trade Secrets and other Confidential Information; and

WHEREAS, Individual understands the necessity of not disclosing any such information to any other party, including any Covered Person or using such Trade Secrets or other Confidential Information to compete against Company, Franchisee or any other franchisee of Company in a Competitive Business now or in the future.

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, the parties hereby mutually agree as follows:

1. Recitals

The above preamble and recitals are true and correct and incorporated into this Agreement.

2. Trade Secrets

Individual understands Franchisee possesses and will possess the Company's Trade Secrets, which is important to its business. For purposes of this Agreement, "Trade Secrets" is information, without regard to form including, but not limited to, technical or non-technical data, know-how, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, pro-formas, strategic plans, product plans, project plans, blueprints, lists of actual or potential customers or suppliers which are not commonly known by or available to the public and which information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Individual understands Franchisee's providing of access to the Trade Secrets creates a relationship of confidence and trust between Individual and Franchisee with respect to the Trade Secrets.

3. Confidential Information

For purposes of this Agreement, "Confidential Information" means technical and non-technical information and know-how used in or related to the BUE™ Businesses and not commonly known by or available to the public, including, without limitation, Trade Secrets and any other information identified as confidential when delivered by the Company. Confidential Information shall not include, however, any information established by documentary evidence that: (a) is now or subsequently becomes generally available to the public through no fault of the Individual; (b) the Individual can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information;

4. Confidentiality/Non-Disclosure

a) Individual shall not whether in person, in writing, through the Internet or online through Social Media sites and/or applications communicate or divulge to (or use for the benefit of) any other person, firm, association, or corporation, with the sole exception of Franchisee, now or at any time in the future, any of the Company's Trade Secrets or Confidential Information.

b) Individual's obligations under paragraph 4(a) of this Agreement shall continue in effect after termination of Individual's relationship with Franchisee as an employee, agent, officer, director, executive, manager or member of Franchisee or a holder of a legal or beneficial interest in Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Individual shall (and Franchisee is entitled to) communicate Individual's obligations under this Agreement to any future customer or employer of Individual to the extent deemed necessary by Franchisee for protection of Franchisee's rights and obligations herein.

5. Non-Competition

Individual agrees that for the period the Individual has a relationship with Franchisee and the period of two (2) years after the Individual no longer has a relationship with Franchisee and has ceased engaging in the conduct stated below, Individual shall not, directly or indirectly, own an interest in, manage, operate, provide services to, carry on, be engaged in or take part in, or share in the earnings of any Competitive Business anywhere within (1) twenty (20) mile radius of Franchisee's Approved Location as described in the Franchise Agreement; or (2) twenty (20) mile radius of any BUE™ Business wherever located in existence at the time of termination of the relationship with Franchisee, without the express written consent of Franchisee. Further, the Individual agrees for the period the Individual has a relationship with Franchisee and the period of two (2) years after the Individual no longer has a relationship with Franchisee, the Individual shall not divert or attempt to divert any customer, employee or other business associate of Franchisee, the Company, the Company's Affiliate(s) (as defined in the Franchise Agreement) or any other franchisee to any Competitive Business or solicit or otherwise attempt to induce or influence (by direct or indirect means) any customer, employee or other business associate of Franchisee, the Company, the Company's Affiliate(s) (as defined in the Franchise Agreement) or any other franchisee to terminate or modify their business relationship with Franchisee, the Company, the Company's Affiliate(s) (as defined in the Franchise Agreement) or any other franchisee.

a) "Competitive Business" means any business that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) gourmet coffee drinks and specialty beverages that are offered or supplied by BUE franchisees, which are the same as or similar to those provided by BUE™ Businesses or in which Trade Secrets or other Confidential Information could be used to the disadvantage of Franchisor, any Affiliate or BUE's other franchisees; provided, however, that the term “Competitive Business” shall not apply to (a) any business operated by Franchisee under a franchise agreement with Franchisor, (b) any business operated by a publicly-held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest, (c) any business operated by Franchisee or its Affiliate(s) that has been disclosed, in writing, to Franchisor prior to the Effective Date of this Agreement, or (d) any business such as a marketing or scheduling company whose primary business is not affiliated with the gourmet coffee drinks and specialty beverages industry.

b) Except as set forth in paragraph 5(a), “Affiliate” means any business entity that controls, is controlled by, or is under common control with Individual.

6. Miscellaneous

a) This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between Individual and Franchisee. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the parties.

b) The Company reserves the right to reduce the scope of the obligations under the covenants contained in Articles 7 and 17 of the Franchise Agreement unilaterally and without the consent of any other person or entities effective upon giving notice thereof.

c) Any signor below agrees to not hire any employee during their employment or contract with Franchisee, with individuals that are not United States Citizens or Naturalized Citizens of the United States.

d) If all or any portion(s) of any provision(s) of this Agreement are held to be invalid, unreasonable, illegal or unenforceable under applicable law, such invalid, unreasonable, illegal or unenforceable portion(s) of any provision(s) shall be amended, limited or excluded from this Agreement to the minimum extent required by applicable law so that this Agreement shall otherwise remain in full force and effect and enforceable in accordance with its terms.

e) This Agreement shall be effective as of the Effective Date and shall be binding upon the successors and assigns of Individual, Individual’s family members, ancestors, descendants, and collaterals, and shall inure to the benefit of Franchisee, its subsidiaries, successors and assigns and BUE Franchising, LLC.

f) Individual shall reimburse Franchisee or Company for any and all costs and attorney fees incurred by Franchisee or Company in the enforcement of the terms of this Agreement.

g) The failure of either party to insist in any one (1) or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

h) The paragraph headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement. Whenever the context of this Agreement requires, the masculine gender includes the feminine or neuter and vice versa, and the singular number includes the plural. Capitalized terms not herein defined shall have the meaning set forth in the Franchise Agreement.

i) The Company shall be a third-party beneficiary of this Agreement.

j) If individual violates this Agreement and competes with Franchisor, its Assigns, or any Franchisees, Franchisor has the right to require that all sales made by the competitive business are reported to Franchisor. Individual will also pay to Franchisor, without demand, a weekly fee of $1000, retroactive to the first date of the violation and for each week that the violation continues or until judicial order is entered, without being deemed to revive or modify this Agreement. These payments are liquidated damages to compensate Franchisor for its damages from Individual's violation of this covenant not to compete and are not a penalty. Individual agrees that the length of time and geographical restrictions contained in this Agreement are fair and reasonable and not the result of overreaching, duress or coercion of any kind. Individual agrees that its full, uninhibited and faithful observance of each of the covenants in this section will not cause any undue hardship financial or otherwise and that the enforcement of each of these covenants in this section will not impair Individual's ability to obtain employment commensurate with Individual's abilities and on terms fully acceptable to Individual or otherwise to obtain income required for the comfortable support of Individual and Individual's family and the satisfaction of Individual's creditors. Individual agrees that his/her special knowledge of the business of a BUE franchise would cause Franchisor and its franchisees serious injury and loss if Individual, or anyone acquiring this knowledge through Individual, were to use this knowledge to the benefit of a competitor or were to compete with Franchisor or any of our other Franchisees.

k) if any court finally holds that the time or territory or any other provision in this Section is an unreasonable restriction upon Individual, Individual agrees that the provisions of this Agreement are not rendered void, but apply as to time and territory or to any other extent as the court may judicially determine or indicate is a reasonable restriction under the circumstances involved.

INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO SUCH PERSON TO INDUCE THE SIGNING OF THIS AGREEMENT.

IN WITNESS WHEREOF, Franchisee has caused this Agreement to be executed by its duly authorized officer, manager or executive and Individual has executed this Agreement, all being done in triplicate originals with one (1) original being delivered to each party and Company as of the Effective Date.

WITNESS:	Franchisee
________________________________	By:______________________________
	Its:______________________________
	Individual
	Signature:_________________________
	Printed Name:______________________

EXHIBIT 3 TO THE FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

This GUARANTY AND ASSUMPTION OF OBLIGATIONS (“Guaranty”) is given this day of____________, 20, by____ ____ ____________________.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement of even date herewith (“Agreement”) by BUE Franchising, LLC (“Franchisor”), each of the undersigned hereby personally and unconditionally guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that ____ (“Franchisee”) shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement. Each of the undersigned shall be personally bound by, and personally liable for, Franchisee’s breach of any provision in the Agreement, including those relating to monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, such as those contemplated by Articles 7 and 17 of the Agreement. Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (d) any right it may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (e) any and all other notices and legal or equitable defenses to which it may be entitled.

Each of the undersigned consents and agrees that: (a) his direct and immediate liability under this Guaranty shall be joint and several; (b) he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (c) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (d) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement.

Each of the undersigned further consents and agrees he shall be a party to any of the actions or claims between Franchisor and Franchisee for injunctive relief or specific performance or relating to the ownership of any of Franchisor’s Marks or the unauthorized use or disclosure of Franchisor’s Trade Secrets or Confidential Information, or which are to be resolved by non-binding mediation as set forth in the Agreement. Each of the undersigned also agrees to be personally bound by the waiver of jury trial as set forth in Section 23.6 of the Agreement.

Whenever the context of this Guaranty requires, the masculine gender includes the feminine or neuter and vice versa, and the singular number includes the plural.

Capitalized terms not defined herein shall have the meaning set forth in the Agreement.

IN WITNESS WHEREOF, this Guaranty has been duly executed and delivered by each of the undersigned, intending to be legally bound hereby, on the date set forth in the introductory paragraph of this Guaranty.

PERSONAL GUARANTOR

____
Personally and Individually (Printed Name)

____
Personally and Individually (Signature)

HOME ADDRESS
____
____

TELEPHONE NO.:__________________
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE:____%
Social Security #:________________________

PERSONAL GUARANTOR

____
Personally and Individually (Printed Name)

____
Personally and Individually (Signature)

HOME ADDRESS
____
____

TELEPHONE NO.:__________________
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE:____%
Social Security #:________________________

PERSONAL GUARANTOR

____
Personally and Individually (Printed Name)

____
Personally and Individually (Signature)

HOME ADDRESS
____
____

TELEPHONE NO.:__________________
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE:____%
Social Security #:________________________

PERSONAL GUARANTOR

____
Personally and Individually (Printed Name)

____
Personally and Individually (Signature)

HOME ADDRESS
____
____

TELEPHONE NO.:__________________
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE:____%
Social Security #:________________________

PERSONAL GUARANTOR

____
Personally and Individually (Printed Name)

____
Personally and Individually (Signature)

HOME ADDRESS
____
____

TELEPHONE NO.:__________________
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE:____%
Social Security #:________________________

PERSONAL GUARANTOR

____
Personally and Individually (Printed Name)

____
Personally and Individually (Signature)

HOME ADDRESS
____
____

TELEPHONE NO.:__________________
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE:____%
Social Security #:________________________

*** Note: All Owners with 5% interest in the legal entity or more must fill this page out.**

EXHIBIT 4 TO THE FRANCHISE AGREEMENT

HOLDERS OF 5% OR MORE LEGAL OR BENEFICIAL INTEREST IN FRANCHISEE; OFFICERS, DIRECTORS AND MANAGERS

Holders of Legal or Beneficial Interest:

Name:___________________________________
Position/Title:______________________________
Home Address:_____________________________
____
____
Telephone No.:_____________________________
E-mail address:_____________________________
Percentage of ownership:_____________%

Name:______________________________
Position/Title:_________________________
Home Address:________________________
____
____
Telephone No.:________________________
E-mail address:________________________
Percentage of ownership______________%

Name:___________________________________
Position/Title:______________________________
Home Address:_____________________________
____
____
Telephone No.:_____________________________
E-mail address:_____________________________
Percentage of ownership:_____________%

Name:______________________________
Position/Title:_________________________
Home Address:________________________
____
____
Telephone No.:________________________
E-mail address:________________________
Percentage of ownership______________%

Name:___________________________________
Position/Title:______________________________
Home Address:_____________________________
____
____
Telephone No.:_____________________________
E-mail address:_____________________________
Percentage of ownership:_____________%

Name:______________________________
Position/Title:_________________________
Home Address:________________________
____
____
Telephone No.:________________________
E-mail address:________________________
Percentage of ownership______________%

Officers, Directors and Managers:

Name:___________________________________
Position/Title:______________________________
Home Address:_____________________________
____
____
Telephone No.:_____________________________
E-mail address:_____________________________

Name:______________________________
Position/Title:_________________________
Home Address:________________________
____
____
Telephone No.:________________________
E-mail address:________________________

Name:___________________________________
Position/Title:______________________________
Home Address:_____________________________
____
____
Telephone No.:_____________________________
E-mail address:_____________________________

Name:______________________________
Position/Title:_________________________
Home Address:________________________
____
____
Telephone No.:________________________
E-mail address:________________________

EXHIBIT 5 TO THE FRANCHISE AGREEMENT

MULTI-STATE ADDENDUMS

TO AVOID DUPLICATION IN THE FRANCHISE DISCLOSURE DOCUMENT THESE ARE LOCATED

AT EXHIBIT G TO THE FRANCHISE DISCLOSURE DOCUMENT

ON THE EXECUTION COPY THE APPLICABLE STATE ADDENDUM WILL BE

LOCATED AT THIS EXHIBIT 5 TO THE FRANCHISE AGREEMENT

EXHIBIT 6
TO THE FRANCHISE AGREEMENT
MARKS

Franchisee has the right to operate a Franchised Business exclusively under the trade name and service mark "BUE" and under any other trade names, trademarks, service marks, logotypes, or other commercial symbols, and patents (the "Marks") currently authorized for use or that BUE Franchising may later authorize for use in the operation of franchised businesses under the System. Franchisor's Affiliate Bottoms Up Holdings, LLC is the sole and exclusive owner and licensor of all right, title, and interest in the Marks. The following Mark(s) are registered on the Principal Register of the United States Patent and Trademark Office ("USPTO"). All necessary renewal applications have been filed with respect to the following Mark:

Mark	**Register**	**Registration Number**	**Filing Date**
Bottoms Up Espresso	Principal	4554755	February 10, 2015
	ncipal	48856	y 1, 2015
Good Coffee Is Sexy	Principal	87584255 (Serial Number)	August 25, 2017

Our Affiliate, Bottoms Up Holdings, LLC, has granted us a license to use and sublicense to use the above-mentioned Marks, dated June 25, 2014. The term of the license is for 99 years. The license agreement may be terminated if we take any affirmative act of insolvency, if a receiver or trustee is appointed to take possession of our properties and is not discharged within 90 days, if we wind up, sell, consolidate or merge our business, or if we breach any of our duties and obligations under the license and do not cure the breach within 60 days following written notice of the breach. Within the license agreement, the term "Marks" includes any other trade names, service marks, trademarks, designs, logos, slogans and commercial symbols now in existence or later adopted by our affiliate that are used in connection with the System. This license agreement licensed to us any future trademarks acquired by our affiliate as well. In the event that Bottoms Up Holdings terminates our Agreement with them, they must honor all Franchisees sublicense agreements, including the right to renew.

Franchisor, as licensee to all right, title and interest to the Marks, except as described above, claims common law rights to the Marks and trade dress including: product names, business advertising materials and photographs. All necessary applications have been filed with respect to the federal registrations. Franchisee is authorized to use the Marks appearing above, and each Mark subsequently developed and designated by Franchisor, in the operation of Franchisee's Business.

Franchisor may change or modify the System presently identified by the Marks, including the adoption and use of new or modified trade names, service marks, trademarks or copyrighted materials, new programs or systems for the Franchise Business, new product lines, new employee training, new equipment or new techniques and Franchisee must accept, use and display those changes in the System, as if they were part of the Franchise Agreement at the time of its signing. Franchisee will make the changes at Franchisee's expense .

MARK USE GUIDELINES

Proper use of a mark involves some basic rules which center around ensuring that the mark is recognized by the public as an indication of single source and is distinguished from the mere name of a product or service.

Although these rules will vary somewhat for different types of marks and use situations, the recommended guidelines are presented below. Franchisor may modify such guidelines and impose additional restrictions with respect to such Marks in its sole discretion.

Use the mark only as a proper adjective followed by a noun, and not as a possessive, a description (noun), a plural or a verb. Make sure that the symbol "TM" (designating trademark used to indicate source of products) or "SM" (designating service mark used to indicate source of services), or ™ designating use of a federally registered Mark, as appropriate, prominently appears at least once in close association with the mark.

Make the mark stand out from the rest of the text (bolder type, ALL CAPS, *italics,* <u>underline,</u> etc.)

Avoid variations in spelling or display. By way of example, the following is proper:

Bottoms Up Espresso™
Bottoms Up Espresso®
Bottoms Up Espresso℠

The following is not proper:

Take your child to BUE gourmet coffee drinks and specialty beverages. (noun, no special typography, no service mark indication)

There are numerous BUE gourmet coffee drinks and specialty beverages's around the country. (noun, plural, no special typography, variation, no service mark symbol)

BUE Gourmet Coffee Drinks And Specialty Beverages's services. (possessive, variation, no service mark symbol)

It is not necessary that the SM, TM, or ® be used so often as to become obtrusive; once or twice in a short document is enough. When it is not obvious from the text, it is important that a legend indicating ownership of the marks appears somewhere reasonably visible on the document; namely, Bottoms Up Espresso™ (and design) are trademarks and service marks of Bottoms Up Holdings, LLC.

EXHIBIT 7
TO THE FRANCHISE AGREEMENT
AUTHORIZATION AGREEMENT
AUTOMATIC DEPOSITS (ACH WITHDRAWALS)

Franchisor Name: **BUE Franchising, LLC**

I (We) hereby authorize BUE Franchising, LLC, hereinafter called Franchisor, to initiate debit entries to my (our) Checking Account/Savings Account (Select One) indicated below at the depository financial institution named below, and to debit the same to such account. I (We) acknowledge that the origination of ACH transactions to my (our) account must comply with the provisions of U.S. Law, and that I will be responsible for any banking fees that my institution charges.

Financial Institution Name:___________________________________Branch: ____________________

City:_________________________State:__________Zip:___________Phone: ____________________

ACH/Routing Number:__________________________Account Number: ___________________________
(Must be Nine Digits)

This authorization is to remain in full force and effect until BUE Franchising has received a written replacement ACH Withdrawal Form notification from me. I (We) understand that revocation of this Authorization Agreement by me (us) may constitute an event of Default under the Franchise Agreement.

I (We) understand that the amount to be withdrawn by Franchisor will not be the same each month and I (We) therefore authorize all monetary transfers pursuant to Articles 3 and 11 of the Franchise Agreement.

______________________________________	______________________________________
Print Franchisee / Account Holder Name	Print Franchisee/Co-Account Holder Name
______________________________________	______________________________________
Franchisee/ Account Holder Signature Date	Franchisee/Co-Account Holder Signature - Date
______________________________________	______________________________________
Daytime Phone Number	Email Address

PLEASE ATTACH A VOIDED CHECK TO THIS FORM

Please Return Form to: BUE Franchising, LLC
ATTN: Franchise Accounting Department
3651 Lindell Road, Suite 11
Las Vegas, NV 89103
Phone #: 1-844-BottomUp

EXHIBIT 8
TO THE FRANCHISE AGREEMENT
TELEPHONE NUMBER ASSIGNMENT AGREEMENT AND POWER OF ATTORNEY

FOR VALUE RECEIVED, the undersigned ("Franchisee") irrevocably assigns the telephone listing and numbers stated below and any successor, changed or replacement number or numbers effective upon the date of termination of the Franchise Agreement described below to BUE Franchising, LLC ("Franchisor"), upon the following terms:

1. This assignment is made under the terms of the BUE Franchising Franchise Agreement dated_________authorizing Franchisee to do business as "BUE Franchising" (the "Franchise Agreement"), which in part pertains to the telephone listing and numbers the Franchisee uses in the operation of the Franchised Business covered by the Franchise Agreement.

2. Franchisee retains the limited right to use the telephone listing and numbers only for transactions and advertising under the Franchise Agreement while the Franchise Agreement between Franchisor and Franchisee remains in full force, but upon termination or expiration of the Franchise Agreement, Franchisee's limited right to use of the telephone listing and numbers also terminates. In this event, Franchisee agrees to immediately discontinue use of all listings and numbers. At Franchisor request, Franchisee will immediately sign all documents, pay all monies, and take all other action necessary to transfer the listings and numbers to Franchisor.

3. The telephone numbers and affiliated listings subject to this assignment are: ____. Franchisee shall provide Franchisor with all numbers on the rotary series and all numbers the Franchisee uses in the Franchised Business in the future within 5 business days of creation of that number.

4. Franchisee shall pay all amounts owed for the use of the telephone numbers and affiliated listings Franchisee incurs. On termination or expiration of the Franchise Agreement, Franchisee shall immediately pay all amounts owed for the listings and telephone numbers, whether or not due, including all sums owed under existing contracts for telephone directory or online advertising.

5. Franchisee appoints Franchisor as Franchisee's Attorney-In-Fact to act in Franchisee's place for the purpose of assigning any telephone number covered by Paragraph 3 above to Franchisor or Franchisor's designees or Transferees. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of these powers, including full power of substitution and signing or completion of all documents required or requested by any telephone company to transfer the numbers, and ratifies every act that Franchisor lawfully performs in exercising those powers.

This power of attorney is effective for five (5) years from the date of expiration, cancellation or termination of Franchisee's rights under the Franchise Agreement for any reason.

Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all right to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney is not affected by Franchisee's later incapacity. This power is created to secure performance of a duty to Franchisor and is for consideration.

THE PARTIES have caused this Agreement to be duly signed as evidenced by their signatures appearing below.

FRANCHISEE: EACH OF THE BELOW PERSONS AGREES TO BE BOUND BY THE PROVISIONS OF THIS AGREEMENT, IN BOTH INDIVIDUAL AND REPRESENTATIVE CAPACITIES.

Signed the______day of___________________________, 20___.

PRESIDENT / MANAGING MEMBER	VICE-PRESIDENT / CO-MEMBER
________________________________	________________________________
Personally and Individually (Printed Name)	Personally and Individually (Printed Name)
________________________________	________________________________
Personally and Individually (Signature)	Personally and Individually (Signature)
________________________________	________________________________
In your Representative Capacity (Printed Name)	In your Representative Capacity (Printed Name)
________________________________	________________________________
In your Representative Capacity (Signature)	In your Representative Capacity (Signature)

EXHIBIT 9
TO THE FRANCHISE AGREEMENT
TERRITORY

This Agreement is made by and between the person or entity whose name appears, or the persons whose names appear, on the Signature Page of this Agreement

Designated Location (If applicable)

Franchisee has suggested, and Franchisor has approved the following location for the office location of the Franchised Business:

____
____
_________________.

Protected Non-Exclusive Territory

Provided that Franchisee is in compliance with the Minimum Enrollment and Gross Sales Volume, Franchisee shall have a Protected Non-Exclusive Territory which is described as:

____
____
____
____
__________________________________.

IN WITNESS WHEREOF, this Territory Exhibit, attached to the Franchise Agreement, is made effective as of the date first written above.

______________________________ (FRANCHISEE)	**BUE FRANCHISING, LLC**
Authorized Officer:	Authorized Officer:
______________________________ (signature)	______________________________ (signature)
Name:	Name:
______________________________ (print)	______________________________ (print)
Title:	Title:
______________________________	______________________________

EXHIBIT 10
TO THE FRANCHISE AGREEMENT
LEASE ADDENDUM

This Lease Rider Addendum ("Addendum"), dated the ________ day of ______________________, 20____, is entered into between _________________________________ ("Landlord") and_____________________________________("Tenant").

RECITALS

WHEREAS, Landlord and Tenant have entered into a Lease dated________________________, 20_____ (the "Lease"), relating to the premises located at ____(the "Premises").

WHEREAS, Landlord acknowledges that Tenant intends to operate a BUE ("Business") from the Premises pursuant to Tenant's Franchise Agreement with BUE Franchising, LLC, a Nevada limited liability company ("Franchisor") dated______________________(the "Franchise Agreement"), which provides for, among other things, the operation by Tenant of a BUE franchised business under Franchisor's criteria and guidelines utilizing the BUE name and Trademarks as Franchisor my designate in the operation of the Store at the Premises.

WHEREAS, Landlord further acknowledges that Franchisor has approved Tenant's request to locate its Business on the Premises that is the subject of the Lease, provided that the conditions and agreements set forth in this Addendum are made a part of the Lease.

AGREEMENT

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree to amend the Lease as follows:

1. Permitted Use. The Premises will be used solely for the operation of a retail business specializing in education and enrichment services offered or sold from Franchisor's other BUE Businesses. The business operated by Tenant from the Premises will be identified solely by the service mark BUE. Landlord will not permit Tenant to change the service mark or trade name it uses at the Premises without the prior written approval of Franchisor.

2. Remodeling and Décor.

(a) Landlord agrees that Tenant has the right to remodel, equip, paint, and decorate the interior of the Premises and to display such Trademarks and signs on the interior and exterior of the Premises as Tenant is required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which Tenant may operate a Business on the Premises. Any remodel of the building and/or its singed shall be subject to Landlord's prior and reasonable approval.

(b) Tenant may, without Landlord's consent, install signage on the exterior of the Premises with Franchisor's standard lettering, logo and colors; provided, however, such signage must comply with the objective criteria, but not any subjective criteria, set forth in Landlord's sign criteria, sign program or sign plan, if any, for the project within which the Premises are located.

3. Assignment By Tenant.

(a) Tenant does not have the right to sublease or assign the Lease to any third party without Landlord's and Franchisor's written approval.

(b) So long as Tenant is in good standing under the Lease, Tenant has the right to assign all of its right, title, and interest in the Lease to Franchisor or its affiliates during the term of the Lease, including any extensions or renewals, without first obtaining Landlord's consent. No assignment will be effective, however, until Franchisor or its designated affiliate gives Landlord written notice of its acceptance of the assignment. Franchisor will be responsible for the Lease obligations incurred after the effective date of the assignment, but in no way shall be responsible for any obligation owed Landlord by Tenant prior to the effective date of the assignment.

(c) If Franchisor elects to assume the Lease, Franchisor shall not be required to begin paying rent until Landlord delivers possession of the Premises to the Franchisor. At any time until the Landlord delivers possession of the Premises, Franchisor shall have the right to rescind the election to assume by written notice to the Landlord.

4. Default and Notices to Franchisor.

(a) Landlord shall send Franchisor copies of any and all default notices under its Lease with Tenant at the same time it provides Tenant with such notice. If Tenant fails to cure any breach or default under the Lease within the applicable cure period set forth in the Lease, Landlord shall promptly give Franchisor written notice thereof, specifying the defaults that Tenant has failed to cure to which Franchisor has the right to unilaterally assume the Lease if Tenant fails to cure. Franchisor shall have twenty (20) days from the date Franchisor receives such notice to exercise, by written notice to Landlord and Tenant, its right to assume the Lease. Franchisor shall have an additional thirty (30) days from the expiration of Tenant's cure period in which to cure the default or violation.

(b) If Franchisor elects to assume the Lease, Franchisor or its designated entity shall not be required to cure defaults and/or to begin paying rent until Landlord delivers possession of the Premises to the Franchisor or its designated entity. At any time until Landlord delivers possession of the Premises, Franchisor or its designated entity shall have the right to rescind the election to assume by written notice to Landlord.

5. Termination of Franchise Agreement; Expiration or Non-Renewal of Lease.

(a) If Tenant is in default under the Franchise Agreement, Franchisor may, at its option, send written notice to Landlord and Tenant, via electronic or mail options, stating that Franchisor elects for the Tenant's interest under the Lease to be assigned to Franchisor or its designated entity. If Tenant fails to vacate the Premises and surrender possession thereof to the Franchisor or its designated entity within three (3) days after receipt of written notice of Franchisee's default, Tenant shall be deemed to be in default of the Lease. Following Landlord's delivery of a written notice of default, an assignment of the Lease shall be effected pursuant to Section 7 below. Tenant hereby irrevocably authorizes Landlord to rely on any written notice of default it receives from Franchisor, and Landlord may disregard any notices or demands it receives from Tenant once Landlord has received said written notice of default. Landlord shall 1) immediately grant Franchisor unfettered access to the leased premises, and 2) change the locks and provide only the Franchisor a key, so the Franchisor may continue conducting business, without harm to BUE's good will, until such time as either the Tenant cures the default and resumes the franchised business, or until Franchisor and Landlord fulfills all obligations under Sections 6 and 7 below. In the unlikely event that Tenant abandons the Premise, at any point in time, Landlord shall accelerate the turnover to Franchisor, thereby the three (3) day notice is vanished, under this authorization.

(b) If the Franchise Agreement is terminated for any reason during the term of the Lease or any renewal or extension thereof and if Franchisor desires to assume the Lease, Franchisor shall promptly give Landlord written notice thereof. Within twenty (20) days after receipt of such notice, Landlord shall give Franchisor written notice specifying any defaults of Tenant under the Lease. If Franchisor or its designated entity elects to assume the Lease, Franchisor or its designated entity must cure said defaults consistent with paragraph 3 above. This provision could occur subsequent to Franchisor's assignment of lease.

(c) If the Lease contains term renewal or extension right(s) and if Tenant does not exercise said right(s) prior to thirty (30) days prior to the expiration period, Landlord shall give Franchisor written notice thereof, and Franchisor shall have the option, for thirty (30) days after receipt of said notice, to exercise the Tenant's renewal or extension right(s) on the same terms and conditions as are contained in the Lease. If the Franchisor elects to exercise such right(s), it shall so notify Landlord in writing, whereupon Landlord and the Franchisor or its designated entity shall promptly execute and deliver an agreement whereby the Franchisor or its designated entity assumes the Lease, effective at the commencement of the extension or renewal term.

6. Access to Premises Following Expiration or Termination of Lease. Upon the expiration or termination of the Lease, Landlord will cooperate with and assist Franchisor in gaining possession of the Premises, including changing the locks and providing Franchisor with immediate access to such new lock and keys, and, if the Franchisor does not elect to assume the Lease for the Premises consistent with subparagraphs 3, 4(a) or 5(b) above, Landlord will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Landlord except for any damages caused by Franchisor's willful misconduct or gross negligence, to remove all signs and all other items identifying the premises as a BUE Retail Business and to make such other modifications (such as repainting) as are reasonably necessary to protect the Trademarks and system, and to distinguish the Premises from other BUE locations. In the event Franchisor exercises its option to purchase assets of Tenant, or to claim assets under the Security Agreement signed concurrently with the Franchisee's Franchise Agreement with Franchisor, Landlord will permit Franchisor to remove all such assets by Franchisor.

7. Assumption and Subsequent Assignment by Franchisor. If Franchisor elects to assume the Lease under paragraph 3, or unilaterally assumes the Lease as provided for in paragraphs 4 or 5, Landlord and Tenant agree that:

(a) Tenant will remain liable for the responsibilities and obligations, including amounts owed to Landlord, prior to the date of assignment and assumption. Further, Tenant shall be and remain liable to Landlord for all of its obligations under the Lease, notwithstanding any assignment or assumption of the Lease by Franchisor. Franchisor shall be entitled to recover from Tenant all amounts it pays to Landlord to cure Tenant's defaults under the Lease, including interest and reasonable collection costs.

(b) Franchisor, upon taking possession of the Premises, shall execute and deliver to Landlord its assumption of Tenant's rights and obligations under the Lease. Franchisor shall pay, perform, and be bound by all the duties and obligations of the Lease applicable to Tenant, except that the Franchisor may elect not to assume or be bound by the terms of any Amendment to the Lease executed by Tenant without obtaining Franchisor's prior written approval, which shall not be unreasonably withheld or delayed.

(c) At or after the time Franchisor assumes Tenant's interests under the Lease, the Franchisor may, at any time, assign such interests or sublet the Premises to a BUE franchisee. Any such assignment shall be subject to the prior written consent of the Landlord, which Landlord shall not unreasonably withhold as it relates to a creditworthy franchisee who otherwise meets Franchisor's then-current standards and requirements for the franchisees and agrees to operate the Business as a BUE Retail Business pursuant to a Franchise Agreement with Franchisor. Upon receipt by Landlord of an assumption agreement pursuant to which the assignee agrees to assume the Lease and to observe the terms, conditions, and agreements on the part of Tenant to be performed under the Lease, Franchisor shall thereupon be released from all liability as tenant under the Lease from and after the date of assignment, without any need of a written acknowledgement of such release by Landlord.

8. Access to Premises During Lease. As provided in the Franchise Agreement, Franchisor shall have the right to access the Premises during continuance of the Lease to ensure compliance by Tenant with its obligations under the Franchise Agreement.

9. Exclusivity. During the Term of this Lease and any extension thereof, Landlord agrees that (i) Tenant shall have the exclusive right in the shopping center, or Business complex to operate gourmet coffee drinks and specialty beverages that may include The franchise described is known as "Bottoms Up Espresso"™ ("BUE"). BUE is involved in the business of providing gourmet coffee drinks and quality specialty beverages. BUE franchisees provide gourmet coffee drinks and quality specialty beverages to customers in a friendly and convenient drive-thru setting with baristas dressed in daily themes and to operate a gourmet coffee drinks and specialty beverages drive-thru business, and (ii) gourmet coffee drinks and specialty beverages services and related products, accessories and services hereunder shall be considered a protected use for Tenant. If the provisions of this Section, including the protected use provision, are violated, then in addition to any other remedy Tenant may have at law or in equity, Tenant shall have the right to (a) terminate the Lease, or (b) immediately reduce its Base Rent under the Lease to One Dollar ($1.00) per month until such time as Landlord's breach is cured, or for the remainder of the Term, and any renewals, if such breach cannot be cured.

10. Additional Provisions.

(a) Landlord hereby acknowledges that the provisions of this Lease Addendum are required pursuant to the Franchise Agreement under which Tenant plans to operate its BUE Business and the Tenant would not lease the Premises without this Addendum.

(b) Landlord further acknowledges that Tenant is not an agent or employee of Franchisor and that Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Landlord has entered into this Lease Addendum with full understanding that it creates no duties, obligations, or liability of or against Franchisor or any affiliate of Franchisor, unless and until the Lease is assigned to, and accepted in writing by, Franchisor.

(c) All notices to Franchisor required by this Addendum must be in writing and sent by registered or certified mail, postage prepared, to the following address:

BUE Franchising, LLC
ATTN: Franchise Operations
3651 Lindell Road, Suite 11
Las Vegas, NV 89103

Franchisor may change its address for receiving notices by giving Landlord written notice of the new address. Landlord agrees that it will notify both Tenant and Franchisor of any change in Landlord's mailing address to which notices should be sent.

11. Sales Reports. If requested by Franchisor, Landlord will provide Franchisor with whatever information Landlord has regarding Tenant's sales from the Business.

12. Amendment of Lease. Landlord and Tenant will not amend the Lease without first obtaining written consent from Franchisor of the terms of said Amendment.

13. Conflicts. In the event of a conflict between the terms of the Lease and the terms set forth in this Addendum, the terms set forth in this Lease Addendum shall govern. In the event of a conflict between notices proved to Landlord by Tenant and Franchisor, the notices of Franchisor shall prevail.

14. Miscellaneous. Any waiver excusing or reducing any obligation imposed by this Addendum shall be in writing and executed by the party who is charged with making the waiver and shall be effective only to the extent specifically allowed in such writing. The language used in this Lease Addendum shall in all cases be construed simply according to its fair meaning and not strictly for or against any party. Nothing in this Lease Addendum is intended, nor shall it be deemed, to confer any rights or remedies upon any person or entity not a party hereto. This Lease Addendum shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs, and personal representatives of the parties hereto. This Lease Addendum sets forth the entire agreement with regard to the rights of Franchisor, fully superseding any and all prior agreements or understandings between the parties pertaining to the subject matter of this Lease Addendum. This Lease Addendum may only be amended by written agreement duly executed by each party.

IN WITNESS WHEREOF, this Lease Addendum is made and entered into by the undersigned parties as of______________________________,________.

LANDLORD: ___________________________

By: ____________________________________

Print Name:_____________________________

Its: ____________________________________

FRANCHISEE: ____________________________

By: ____

Print Name: _________________________________

Its: ____

FRANCHISOR: BUE FRANCHISING, LLC

By: ____

Print Name: Nathan Wilson

Its: Franchise Founder/President

EXHIBIT E STATE

ADDENDUMS

(ADDITIONAL INFORMATION REQUIRED BY CERTAIN STATES)

ADDENDUM REQUIRED BY THE STATE OF CALIFORNIA

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code 31000-31516, and the California Franchise Relations Acts, Cal. Bus. & Prof. Code 20000 -20043, the Franchise Disclosure Document for BUE Franchising, LLC for use in the State of California shall be amended as follows:

1. The California Franchise Investment Law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Disclosure Document;

2. Section 31125 of the California Corporation Code requires us to give you a disclosure document in a form approved by the Department of Corporations before asking you to consider a material modification of an existing Franchise Agreement;

3. The franchise agreement requires you to execute a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000-31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000-20043);

4. California Business and Professions Code, Section 20020, except as otherwise provided by this chapter, no Franchisor may terminate a franchise prior to the expiration of its term, except for Good Cause. Except as provided in Section 20021, Good Cause shall be limited to the failure of the Franchisee to substantially comply with the lawful requirements imposed upon the Franchisee by the franchise agreement after being given notice at least sixty (60) days in advance of the termination with a reasonable opportunity, to cure of which shall be not less than sixty (60) days from the date of the notice of noncompliance, to cure the failure. The period to exercise the right to cure shall not exceed seventy-five (75) days unless there is a separate agreement between the Franchisor and Franchisee to extend the time.

5. If during the period in which the franchise is in effect, there occurs any of the following events which is relevant to the franchise, immediate notice of termination without an opportunity to cure, shall be deemed reasonable (Business and Professions Code Section 20021):

    a. The Franchisee or the business to which the franchise relates has been the subject of an order for relief in bankruptcy, judicially determined to be insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or the Franchisee admits his or her inability to pay his or her debts as they come due;

    b. The Franchisee abandons the franchise by failing to operate the business for five (5) consecutive days during which the Franchisee is required to operate the business under the terms of the franchise, or any shorter period after which it is not unreasonable under the facts and circumstances for the Franchisor to conclude that the Franchisee does not intend to continue to operate the franchise, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond the Franchisee's control;

    c. The Franchisor and Franchisee agree in writing to terminate the franchise;

d. The Franchisee makes any material misrepresentations relating to the acquisition of the franchise business or the Franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the franchise business or system;

e. The Franchisee fails, for a period of ten (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;

f. The Franchisee, after curing any failure in accordance with Section 20020 engages in the same noncompliance whether or not such noncompliance is corrected after notice;

g. The Franchisee repeatedly fails to comply with one or more requirements of the franchise, whether or not corrected after notice;

h. The franchised business or business premised 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, of foreclosed by a creditor, lienholder, or lessor, provided that a final judgment against the Franchisee remains unsatisfied for thirty (30) days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the license granted by the franchise agreement or upon any property used in the franchised business, and it is not discharged within five (5) days of such levy;

i. The Franchisee is convicted of a felony or any other criminal misconduct which is relevant to the operation of the franchise;

j. The Franchisee fails to pay any franchise fees or other amounts due to the Franchisor or its affiliate within five (5) days after receiving written notice that such fees are overdue; or

k. The Franchisor makes a reasonable determination that continued operation of the franchise by the Franchisee will result in an imminent danger to public health or safety.

6. California Business and Professions Code, Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control;

7. Upon a lawful termination or nonrenewal of a Franchisee, the Franchisor shall purchase from the Franchisee, at the value of price paid, minus depreciation, all inventory, supplies, equipment, fixtures, and furnishings purchased or paid for under the terms of the franchise agreement or any ancillary or collateral agreement by the Franchisee to the Franchisor or its approved suppliers and sources, that are, at the time of the notice of termination or nonrenewal, in the possession of the Franchisee or used by the Franchisee in the franchise business. The Franchisor shall have the right to receive clear title to and possession of all items purchased from the Franchisee under this section (Business and Professions Code Sections 20022).

8. It is unlawful for a Franchisor to prevent a Franchisee from selling or transferring a franchise, all or substantially all of the assets of the franchise business, or a controlling or non-controlling interest in the franchise business, to another person provided that the person is qualified under the Franchisor’s then-existing standards for the approval of new or renewing franchisees, these standards to be made available to the Franchisee, as provided

in Section 20029, and to be consistently applied to similarly situated franchisees operating within the franchise brand, and the Franchisee and the buyer, transferee, or assignee comply with the transfer conditions specified in the franchise agreement (Business and Professions Code Sections 20028(a)).

a. Notwithstanding subdivision (a), a Franchisee shall not have the right to sell, transfer, or assign the franchise, all or substantially all of the assets of the franchise business, or a controlling or noncontrolling interest in the franchise business, without written consent of the Franchisor, except that the consent shall not be withheld unless the buyer, transferee, or assignee does not meet the standards for new or renewing franchisees described in subdivision (a) or the Franchisee and the buyer, transferee, or assignee do not comply with the transfer conditions specified in the franchise agreement (Business and Professions Code Sections 20028(b)).

b. This section does not prohibit a Franchisor from exercising the contractual right of first refusal to purchase a franchise, all or substantially all of the assets of a franchise business, or a controlling or noncontrolling interest in a franchise business after receipt of a bona fide offer from a proposed purchaser to purchase the franchise, assets, or interest. A Franchisor exercising the contractual right of first refusal shall offer the seller payment at least equal to the value offered in the bona fide offer (Business and Professions Code Sections 20028(c)).

c. According to Business and Professions Code Section 20029(b), the Franchisor shall, within sixty (60) days after the receipt of all of the necessary information and documentation required pursuant to subdivision (a), or as specified by written agreement between the Franchisor and Franchisee, notify the Franchisee of the approval or disapproval of the proposed sale, assignment, or transfer. The notice shall be in writing and shall be delivered to the Franchisee by business courier or receipted mail. A proposed sale, assignment, or transfer shall be deemed approved, unless disapproved by the Franchisor in the manner provided by this subdivision. If the proposed sale, assignment, or transfer is disapproved, the Franchisor shall include in the notice of disapproval a statement setting forth the reasons for the disapproval.

9. In the event a Franchisor terminates or fails to renew a Franchisee, in violation of this chapter, the franchisee shall be entitled to receive from the Franchisor the fair market value of the franchised business and franchise assets and any other damages caused by the violation of this chapter (Business and Professions Code Section 20035(a)).

a. A court may grant preliminary and permanent injunctions for a violation or threatened violation of this chapter (Business and Professions Code Section 20035(b)).

10. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.);

11. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law;

12. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable;

13. The Franchise Agreement requires application of the laws and forum of the State of Sacramento County, California This provision may not be enforceable under California law;

14. The Franchise Agreement requires non-binding mediation. The mediation will occur only in the State of Sacramento County, California. Costs will be borne by you. This provision may not be enforceable under California law;

15. Neither BUE Franchising, LLC, *any* person or franchise broker in Item 2 of the UFDD is subject to any currently effective order or 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 these persons from membership in such association or exchange; and

16. If you are not approved as a Franchisee due to background checks or if you cannot finalize the funding of your franchise system, we will refund you the entire deposit.

17. Our website has not been reviewed or approved by the California Department of Business Oversight. Any complaints concerning the content of this website may be directed to the California Department of Business Oversight at www.dbo.ca.gov.

18. Based upon requirements imposed by the California Department of Business Oversight, payment of your Franchise Fee will be deferred until we have completed all of our pre-opening obligations for you to open your Franchised Business.

See Below for Negotiated Sales Exempt Under 31109.1 Form

STATE OF CALIFORNIA
DEPARTMENT OF BUSINESS OVERSIGHT

The summary description of each material negotiated term required by Corporations Code Section 31109.1(a)(2)(A) shall contain the following content:

1. (a) Offering Circular Number: App-9866

   (b) Description of Provisions in Currently Registered Offering Circular: Franchise Fee $39,000.00

   (c) Description of Change: Franchise Fee waived in transaction for existing corporate owned store 1, Modesto location and conversion from corporate owned to franchised.

2. (a) Offering Circular Number: App-9866

   (b) Description of Provisions in Currently Registered Offering Circular: Franchise Fee $39,000.00

   (c) Description of Change: Franchise Fee waived in transaction for existing corporate owned store 2, Tracy location and conversion from corporate owned to franchised.

3. (a) Offering Circular Item Number: App-9866

   (b) Description of Provisions in Currently Registered Offering: Circular: See Attached Sheet

   (c) Description of Change: See Attached Sheet

(If additional space is needed, attach separate sheet (s) with respect to each additional item being changed using the above format)

Note: Authority cited: Section 31502, Corporations Code. Reference: Sections 31109.1 and 31114, Corporations Code.

Attachment to **Negotiated Sales Exempt Under 31109.1 of the Corporations Code-Summary Description**

3. (a) Offering Circular Number: App-9866

   (b) Description of Provisions in Currently Registered Offering Circular: Franchise Fee of $39,000.00.

   (c) Description of Change: As a part of the previously mentioned transactions, buyer also entered into a five unit, Multi-Store development agreement with Franchisor under the following changed terms for the Franchise Fee.
   Store 1- Franchise Fee $39,000.00
   Stores 2 thru 5- Franchise Fee $19,500.00 with half of this fee due upon signing of the Multi-Unit agreement and the other half payable on the signing of each subsequent Franchise Agreement.

IN WITNESS WHEREOF, Franchisee and Franchisor have executed this Amendment to the Franchise Agreement in duplicate simultaneously with the execution of the Franchise Agreement.

BUE FRANCHISING, LLC:

By: ___________________________________

Print Name: Nathan Wilson

Title: Franchise Development Founder/President

FRANCHISEE:

By:____________________________________

Print Name: ___________________________

Title:__________________________________

EXHIBIT F
TO FRANCHISE DISCLOSURE DOCUMENT
BUE FRANCHISING, LLC LIST OF STATE ADMINISTRATORS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure and registration laws and for service of process. We may not yet be registered to sell franchises in any or all of these states. There may also be additional agents appointed in some of the states listed.

California
(*State Administrator*)
Department of Business Oversight:
320 West 4th Street, Suite 750
Los Angeles, CA 90013
(213) 576-7500 Toll Free (866) 275-2677

(*Agent for Service of Process*)
Department of Business Oversight:
One Sansome Street, Suite 600
San Francisco, CA 94104
(415) 972-8559

Connecticut
(*State Administrator*)
State of Connecticut, Department of Banking
Securities & Business Investments Division
260 Constitution Plaza
Hartford, CT 06103-1800
(860) 240-8230

(*Agent for Service of Process*)
Banking Commissioner
44 Capitol Ave.
Hartford, CT 06106
(860) 240-8299

Hawaii
(*State Administrator*)
Business Registration Division
Commissioner of Commerce and Consumer Affairs
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

(*Agent for Service of Process*)
Department of Commerce & Consumer Affairs
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Illinois
(*State Administrator*)
Franchise Bureau
Office of the Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

(*Agent for Service of Process*)
Illinois Attorney General
500 South Second Street
Springfield, IL 62706
(217) 782-4465

Indiana
(*State Administrator*)
Indiana Secretary of State
Securities Division, E-111
302 Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

(*Agent for Service of Process*)
Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

Maryland
(*State Administrator*)
Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(*Agent for Service of Process*)
Securities Commissioner
Maryland Division of Securities
200 St. Paul Place
Baltimore, MD 21202
(410) 576-6360

Michigan
(*State Administrator*)
Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
525 W. Ottawa Street, 6th Floor
Lansing, Michigan 48933
(517) 373-7117

(*Agent for Service of Process*)
Dept of the Attorney General's Office
Consumer Protection Division
525 Ottawa Street, 6th Floor
Lansing, MI 48909
(517)373-7117

Minnesota
(*State Administrator*)
Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
(651) 296-6328

(*Agent for Service of Process*)
Minnesota Commissioner of Commerce
85 7th Place East, Suite 500
St. Paul, MN 55101-2198
(612) 296-6328

New York
(*State Administrator*)
Bureau of Investor Protection and Securities
State of New York Office of Attorney General
120 Broadway, Room 23-138
New York, New York 10271
(212) 416-8236

(*Agent for Service of Process*)
Secretary of State of New York
41 State Street
Albany, New York 12231
(212) 416-8800

North Dakota
(*State Administrator*)
North Dakota Securities Department
State Capitol, Fifth Floor, Dept. 414
600 East Boulevard Avenue
Bismarck, North Dakota 58505-0510
(701) 328-2910

(*Agent for Service of Process*)
North Dakota Securities Department
State Capitol, Fifth Floor,
600 East Boulevard Avenue
Bismarck, North Dakota 58505
(701) 328-4712

Oregon
(*State Administrator*)
Department of Insurance and Finance
Corporate Securities Section
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4387

(*Agent for Service of Process*)
Division of Finance & Corporate Securities
PO Box 14480
Salem, OR 97309
503-378-4140

Rhode Island
(*State Administrator*)
Securities Division, Dept. of Business Regulation
1511 Pontiac Avenue, Bldg. 69-1
Cranston, Rhode Island 02910
(401) 462-9582

(*Agent for Service of Process*)
Director of Rhode Island Dept. of Business Registration
Securities Division
233 Richmond Street, Suite 232
Providence, RI 02903-4232
(401) 222-3048

South Carolina
(*State Administrator*)
Secretary of State
Attn: Business Opportunities and Franchises
P.O. Box 11350
Columbia, SC 29211
(803) 734-1728

(*Agent for Service of Process*)
Secretary of State
Attn: Business Opportunities and Franchises
P.O. Box 11350
Columbia, SC 29211
(803) 734-1728

South Dakota
(*State Administrator*)
Department of Revenue & Regulation
Division of Securities
445 East Capitol Avenue
Pierre, South Dakota 57501
(605) 773-4823

(*Agent for Service of Process*)
Director of South Dakota Securities
445 Capitol Avenue
Pierre, SD 57501
(605) 773-4823

Texas
(*State Administrator*)
Department of Corporations, Secretary of State
Franchise and Business Opportunity Division
1019 Brazos
Austin, TX 78701
(512) 475-0775

(*Agent for Service of Process*)
Secretary of State
1019 Brazos
Austin, TX 78701
(512) 475-0775

Virginia
(*State Administrator*)
State Corporation Commission
Division of Securities and Retail Franchising
Tyler Building, 9th Floor
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9051

(*Agent for Service of Process*)
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
(804) 371-9733

Washington
(*State Administrator*)
Department of Financial Institutions
Securities Division
150 Israel Road Southwest
Olympia, WA 98501
(360) 902-8762

(*Agent for Service of Process*)
Director, Department of Financial Institutions
Securities Division
150 Israel Road S.W.
Tumwater, Washington 98501
(360) 902-8760

Wisconsin
(*State Administrator*)
Division of Securities
Department of Financial Institutions
345 W. Washington Ave., 4th Floor
Madison, Wisconsin 53703
(608) 266-1064

(*Agent for Service of Process*)
Office of the Commissioner of Securities
345 West Washington Avenue
Madison, WI 53703
(608) 266-1064

EXHIBIT G
ITEM 23 – RECEIPT TO THE DISCLOSURE DOCUMENT
(Keep this copy for Your records)

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If BUE 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, or sooner if required by your state applicable law.

[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 Agreement.] [Michigan, Oregon, and Washington require that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.]

If we do not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the applicable state agency(ies) listed in Exhibit H.

The franchise seller for this is Nathan Wilson of BUE Franchising, LLC, whose address is 3651 Lindell Road, Suite 11, Las Vegas, NV 89103; 1-844-BottomUp. BUE Franchising, LLC authorizes the respective state agencies identified in Exhibit H to receive service of process for it in the particular state.

The issuance date of this Federal Franchise Disclosure Document is March 7, 2019, the Effective Date for your state is the date listed on the State Cover Page at the beginning of this Disclosure Document.

The undersigned, personally and/or as a duly authorized officer or a partner of the prospective Franchisee, does acknowledge receipt from BUE Franchising, LLC of the Franchise Disclosure Document for prospective franchisees (to which this Receipt is attached), including the following Exhibits:

A. Financial Statements
B. Franchisee Locations
C. Confidentiality Agreement
D. Franchise Agreement
E. State Addendum
F. State Administrators
G. Receipt

Received Date:_______________, 201__.

____
Individually

____
Print Name

____
as an officer, member or partner of

____
name of entity
a____________________state corporation, LLC or partnership
(circle one)

You may return the signed receipt either by signing, dating, and mailing to BUE Franchising, LLC at 3651 Lindell Road, Suite 11, Las Vegas, NV 89103 or by e-mailing to franchise@bottomsupespresso.com

EXHIBIT G
ITEM 23 – RECEIPT TO THE DISCLOSURE DOCUMENT
(Return to Us)

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If BUE 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, or sooner if required by your state applicable law.

[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 Agreement.] [Michigan, Oregon, and Washington require that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.]

If we do not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the applicable state agency(ies) listed in Exhibit H.

The franchise seller for this is Nathan Wilson, of BUE Franchising, LLC, whose address is 3651 Lindell Road, Suite 11, Las Vegas, NV 89103; 1-844-BottomUp. BUE Franchising, LLC authorizes the respective state agencies identified in Exhibit H to receive service of process for it in the particular state.

The issuance date of this Federal Franchise Disclosure Document is March 7, 2019, the Effective Date for your state is the date listed on the State Cover Page at the beginning of this Disclosure Document.

The undersigned, personally and/or as a duly authorized officer or a partner of the prospective Franchisee, does acknowledge receipt from BUE Franchising, LLC of the Franchise Disclosure Document for prospective franchisees (to which this Receipt is attached), including the following Exhibits:

A. Financial Statements	B. Franchisee Locations	C. Confidentiality Agreement
D. Franchise Agreement	E. State Addendum	F. State Administrators
G. Receipt		

Received Date:_______________, 201__.

____
Individually

____
Print Name

____
as an officer, member or partner of

____
name of entity
a____________________state corporation, LLC or partnership
(circle one)

You may return the signed receipt either by signing, dating, and mailing to BUE Franchising, LLC at 3651 Lindell Road, Suite 11, Las Vegas, NV 89103 or by e-mailing to franchise@bottomsupespresso.com