FRANCHISE DISCLOSURE DOCUMENT



®

Royal Aloha Franchise Company, LLC
(a Colorado limited liability company)
7347 S. Revere Parkway
Building A, Suite A
Centennial, CO 80112
Phone: 888-422-3277
Website: www.badasscoffee.com
Email: franchise@royalaloha.com

Royal Aloha Franchise Company, LLC is offering franchises for the operation of retail coffee shops operated under the service mark "BAD ASS COFFEE OF HAWAII" and featuring coffee, espresso, and tea beverages, food and coffee beans, to customers in a nostalgic Hawaiian atmosphere pursuant to a Development Agreement to develop between 3 or more shops. In addition to signing the Development Agreement, you will also sign franchise agreements for the three shops that must be developed.

The total investment necessary to begin operation of three (3) BAD ASS COFFEE OF HAWAII franchises is **$**524,200 to $990,500. This includes $135,000 that must be paid to the franchisor or its affiliates. We are not offering single-unit traditional franchises except we may offer to franchisees who are currently operating BAD ASS COFFEE OF HAWAII-branded shops the right to purchase an additional single-unit franchise.

We also offer qualified franchisees the opportunity to enter into a franchise agreement for the development and operation of a non-traditional BAD ASS COFFEE OF HAWAII franchised shop (a "Non-Traditional Shop") that may be operated in a variety of formats, including trailers/food trucks, coffee kiosks/carts/counters, drive-thru only kiosks, and "captive audience" Shops inside venues such as airports, sporting arenas, grocery stores, and shopping malls. The total investment necessary to begin operation of a single BAD ASS COFFEE OF HAWAII Non-Traditional Shop is between $186,700 to $915,500. This includes $32,500 to $45,000 that must be paid to the franchisor or its affiliates.

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 Scott Snyder at 7347 South Revere Parkway, Building A, Suite A, Centennial, CO 80112, 888-422-3277, franchise@royalaloha.com.The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

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

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

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ISSUANCE DATE: March 31, 2026, as amended June 9, 2026

How to Use this Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20, Exhibit E or Exhibit F.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide the support to my business?	Item 21 or Exhibit G includes the financial statements. Review these statements carefully.
Is the franchise system stable, growing or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only BAD ASS COFFEE OF HAWAII business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a BAD ASS COFFEE OF HAWAII franchisee?	Item 20 or Exhibit E and Exhibit F lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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What You Need to Know about Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchisor or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

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Special Risks to Consider About *This* Franchise

Certain states require that the following risks be highlighted:

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by litigation only in Colorado. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Colorado than in your own state.

2. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

3. **Financial Condition**. The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.

4. **Unopened Franchises**. The Franchisor has signed a significant number of Franchise Agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you may also experience delays in opening your own outlet.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

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ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor and any Parents, Predecessors and Affiliates.

The name of the franchisor is Royal Aloha Franchise Company, LLC. For ease of reference, Royal Aloha Franchise Company, LLC will be referred to as "**we**", "**us**" or "**RAF**" in this Disclosure Document. We will refer to the person who buys the franchise as "**you**" throughout this Disclosure Document. If the franchisee is a corporation, partnership or limited liability company, certain provisions of the Franchise Agreement will also apply to the owners, as will be noted. Our principal offices are located at 7347 South Revere Parkway, Building A, Suite A, Centennial, Colorado 80112. We presently do business only under our corporate name. We were formed on June 14, 2019 as a Colorado limited liability company. On July 2, 2019 we began offering franchises for the operation of BAD ASS COFFEE OF HAWAII shops. We have not conducted business in any other line of business, nor do we offer franchises in any other line of business. Our agents for service of process are listed on Exhibit A.

Our affiliate company, Royal Aloha Enterprises, LLC, ("**Enterprises**"), a Colorado limited liability company, shares our principal business address at 7347 South Revere Parkway, Building A, Suite A, Centennial, Colorado 80112. Enterprises sells roasted coffee to our franchisees for the drinks sold in their shops and also sells packaged coffee and branded merchandise for retail sale to customers of BAD ASS COFFEE OF HAWAII shops ("**BAD ASS COFFEE OF HAWAII Shops**" or "**Shops**"). Enterprises does not operate any Shops and has never offered franchises in any line of business.

Royal Aloha Gift Card, LLC ("**GC**"), an Arizona limited liability company, is a subsidiary of Royal Aloha Franchise Company, LLC and shares our business address at 7347 South Revere Parkway, Building A, Suite A, Centennial, Colorado 80112. GC holds funds from any gift card program for reconciliation by the card program administrator. GC does not operate any Shops and has never offered franchises in any line of business.

Royal Aloha Corporate Stores, LLC ("RACS"), a Colorado limited liability company, was formed on April 20, 2021 and shares our principal business address at 7347 South Revere Parkway, Building A, Suite A, Centennial, Colorado 80112. RACS previously operated a Shop in Bernalillo, NM but does not currently operate any Bad Ass Coffee of Hawaii stores. RACS is a subsidiary of RACC.

Our parent company, Royal Aloha Coffee Company, LLC, ("**Parent**") a Delaware limited liability company, shares our business address at 7347 South Revere Parkway, Building A, Suite A, Centennial, Colorado 80112. Parent is also the parent of our affiliate companies.

On July 2, 2019, we acquired the majority of our assets from two entities: Bad Ass Coffee Company of Hawaii, Inc., a Utah corporation, ("**Predecessor Franchisor**"), and Bad Ass Coffee Distributors, Inc., a Utah corporation, ("**Predecessor Distributor**"), both of which had a principal business address of 155 West Malvern Ave., Salt Lake City, Utah 84115. The Predecessor Franchisor offered franchises for coffee shops using the mark BAD ASS COFFEE OF HAWAII from February 1998 until July 1, 2019. The Predecessor Distributor never offered franchises in any line of business. Neither the Predecessor Franchisor nor the Predecessor Distributor currently operate a Shop similar to the one that you will operate.

Our Business.

We currently offer multi-unit development agreements to qualified buyers to develop and operate BAD ASS COFFEE OF HAWAII Shops. The Shops offer customers a full menu of coffee and tea drinks,

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food items, and unique merchandise. We remain true to the Hawaii coffee labeling laws providing uniquely rich, authentic Hawaiian coffee as well as other premium international blends. The Shops aim to provide a reasonably priced coffee beverage of the highest quality and a more relaxed setting than the larger coffee shop chains. BAD ASS COFFEE OF HAWAII Shops operate under our distinctive business format, systems, methods, procedures, designs, layouts and specifications (together, the "**Licensed Methods**") and under our service mark "BAD ASS COFFEE OF HAWAII" and related logos, trademarks, service marks and commercial symbols (together, the "**Marks**").

A BAD ASS COFFEE OF HAWAII Shop is typically located in a retail location that will attract walk-in and/or drive-up customers, such as a neighborhood or commercial shopping center or other suitable location that we approve before you sign a lease. The Shops are normally between 1250 and 1650 square feet, typically in leased retail space or built on purchased retail pad space. BAD ASS COFFEE OF HAWAII Shops have a vintage Hawaiian décor featuring natural woods, tropical plants and iconic Hawaiian décor with a modern touch. The Shops are designed to seat approximately 10 to 20 customers at private and community tables, with WI-FI availability, and places to plug in electronic devices. All Shops offer BAD ASS COFFEE OF HAWAII roasted 100% Kona, other Hawaiian coffees, as well as international coffees, a food menu, and a variety of branded merchandise, including mugs, T-shirts, hats, key chains and other branded items for retail sale.

Our Multi-Unit Franchise Development Program.

We offer qualified applicants the right to enter into a Development Agreement (the "**Development Agreement**"), attached as Exhibit C to this Disclosure Document, to develop a minimum of three BAD ASS COFFEE OF HAWAII Shops within a designated geographic area (the "**Development Area**"). The Franchise Agreement for each location will grant you a protected territory around each individual shop location ("**Protected Territory**"), which will be determined by us at our discretion at the time a location for your BAD ASS COFFEE OF HAWAII Shop location is authorized by us ("**Franchised Location**"). Your Protected Territory for each location will be described in Exhibit I to the Franchise Agreement after the Franchised Location has been approved by us.

The scope and term of any Development Agreement and the exact number of Shops to be developed, above the minimum of three, is dependent on both your development plans and our evaluation of your financial capability and qualifications to develop and operate multiple Shops within the Development Area. Under the Development Agreement, you must develop, open and operate an agreed upon number of BAD ASS COFFEE OF HAWAII Shops located in the Development Area in accordance with an agreed upon development schedule (the "**Development Schedule**"). You will not have the right to sell franchises under the Development Agreement. The size of the Development Area will vary depending on local market conditions and the number of Shops you develop. The Development Area will be determined before you sign the Development Agreement. For each BAD ASS COFFEE OF HAWAII Shop that you develop under the Development Agreement, you must sign our then-current form of Franchise Agreement which may differ from the Franchise Agreement included in Exhibit B to this Disclosure Document. You will sign the Franchise Agreement for your first BAD ASS COFFEE OF HAWAII Shop at the same time that you sign the Development Agreement. The current form of Franchise Agreement is attached as Exhibit B to this Disclosure Document.

Our Unit Franchise Program.

We are not currently offering the right to enter into a Franchise Agreement ("**Franchise Agreement**") to establish and operate a single BAD ASS COFFEE OF HAWAII Shop, other than to someone that is currently a franchisee or in very rare circumstances based on the proposed market.

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Our Non-Traditional Franchise Unit Program.

We currently offer the right to enter into a Franchise Agreement ("Franchise Agreement") to establish and operate a single or multiple Non-Traditional BAD ASS COFFEE OF HAWAII Shop(s) (each a "Non-Traditional Shop"). Non-Traditional Shops encompass a variety of formats, including Trailers/Food Trucks, Coffee Kiosks/Carts/Counters, Drive-Thru Only kiosks, and Captive Audience Shops inside venues such as airports, sporting arenas, grocery stores, and shopping malls.

Regulations.

You must comply with all local, state and federal health and sanitation laws and regulations that govern restaurants. You must obtain state and local sales tax licenses and other permits that apply to retail businesses. The licensing requirements vary from state-to-state. You are responsible for complying with the applicable federal, state and local laws, rules and regulations, as well as with all federal, state and local laws of a more general nature which affect the operation of your business, such as the Americans with Disabilities Act, Federal Wage and Hour Laws and the Occupational Safety and Health Act. You will need to understand and comply with federal and state laws that regulate the compensation of your employees (including minimum wage, overtime and tip compliance requirements). You should consult with your attorney, accountant, or other advisor, especially regarding state and local laws, rules and regulations that may affect the operation of your BAD ASS COFFEE OF HAWAII Shop at your particular location. You are responsible for complying with employment, worker's compensation, immigration, health, insurance, corporate, taxing and licensing laws and similar laws and regulations.

Market and Competition.

The market for coffee services is well established and highly competitive. The retail coffee industry is made up of traditional neighborhood coffee shops, international chains, kiosks inside of larger stores, drive-throughs, and full service restaurants. In particular, the community coffee shop where people meet to do work on their computer, network, or meet friends has become an area of increased focus and growth. The popularity of this market segment, however, has also significantly increased competition. Overall, the coffee business is highly competitive as to price, service and quality. You will compete with other coffee shop chains operating under well-known and recognizable service marks, and with local and regional chains. You may even experience competition from other BAD ASS COFFEE OF HAWAII Shops outside of your Protected Territory and, in the sale of coffee products, from Enterprises, as we may sell BAD ASS COFFEE OF HAWAII branded coffee and merchandise through websites, mail order catalogs, or through grocery stores. We also reserve the right to develop BAD ASS COFFEE OF HAWAII locations in certain non-traditional venues.

Business Experience.

Our Senior Leadership Team consisting of Chief Growth Officer, Scott Snyder; Chief Operating Officer, Tom Wylie; Chief Operations Officer Franchise, Sue Sauer; Chief Brand Officer, Iain Douglas; and, Chris Webb, Chief Commercial Officer for Royal Aloha Enterprises, LLC have a combined total of over 135 years' experience in the restaurant & beverage industry. We began offering BAD ASS COFFEE OF HAWAII franchises on December 9, 2019. None of our affiliated entities have offered franchises in any line of business and we have not offered franchises in any other line of business.

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ITEM 2

BUSINESS EXPERIENCE

Founder and Chief Growth Officer: Scott Snyder

Scott Snyder has served as our Chief Growth Officer since March 2026. Previously, he served as our Chief Executive Officer and as Chief Executive Officer of our parent company, Royal Aloha Coffee Company, LLC, since June 2019. He has also served as Chief Executive Officer of our affiliate, Enterprises, since June 2019. He served as a consultant for the Predecessor Franchisor from May 2016 to June 2019.

President and Chief Operating Officer: Tom Wylie

Tom Wylie has served as our President and Chief Operating Officer since March 2026. He has served as Chief Operating Officer for our parent company, Royal Aloha Coffee Company LLC beginning in December 2025 Prior to this role, Tom served as a principal with AWA Investments in Lexington Kentucky since July 2023. He also served on the senior leadership team for Team-MAP, in Lexington, Kentucky since 2005 managing multi-unit franchise operations with Papa John's restaurants, Burn Boot Camp and other franchise ventures, and serves as owner and CFO of PJ Holdings KY, LLC in Lexington, Kentucky since September 2003.

Chief Operations Officer: Susan Sauer

Susan Sauer has served as our Chief Operations Officer since May 2024. She also served as Senior Vice President of Franchise Operations (1/2023-5/2024), and also served as Vice President of Franchise Success (6/2020-12/2022). From January 2015 to May 2020, she served as Franchise Market Consultant for The Wendy's Company, a franchise restaurant chain headquartered in Dublin, Ohio. Before that, she was a Franchise Area Director, a Field Training Manager, Training Store Manager, and a District Manager for The Wendy's Company, a franchise restaurant chain headquartered in Dublin, Ohio, from October 1981 to December 2014.

Chief Brand Officer: Iain Douglas

Iain Douglas has served as our Chief Brand Officer since February 2025. Before this, from 2019-2025, Iain was a Partner with the ArchPoint Group (Strategy and Brand Development Specialist), a Strategic Advisor to Socialtize Agency, and was the founder/principal of Catalyst 247 Consulting. Prior to that, Iain was Chief Marketing Officer for Deutsch Family Wine & Spirits from Feb 2018-July 2019. And, prior to that, Iain served as VP Global Strategy and Brand Development for VF Corporation from March 2011 – Jan 2018.

Chief Commercial Officer: Chris Webb

Chris Webb has served as our Chief Commercial Officer since August 2024 and previously was our VP of Enterprise since April 2023. Before this, he served as the Director of Purchasing and Strategic Sourcing for Black Rifle Coffee in Salt Lake City, Utah, from January 2021 to April 2023. Prior to that, he served as the VP of Supply Chain and operations for Yumble Kids in New York, New York from August 2019 to January 2021. Before that, he served as the Director of Supply Chain for Green Chef/Hello Fresh in Boulder, Colorado from January 2016 to August 2019.

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Franchise Sales Coordinator: Rosalyn Edmonds

Rosalyn Edmonds has served as our Franchise Sales Coordinator since March 2025. Prior to that, Rosalyn served in the same capacity at Tiger Adjusters from September 2024 to December 2024. She also served as Franchise Sales and Development Coordinator with Twin Peaks Restaurants from May 2021 to September 2023, and before that, served as Franchise Sales Assistant and Franchise Administrator for Corner Bakery Cafe from February 2013 to May 2021.

ITEM 3

LITIGATION

Predecessor Litigation

1. Naughty Donkey Enterprises, LLC v. Bad Ass Coffee Company of Hawaii, Inc., 63-CV-2009-900403, filed June 29, 2009 by an area developer of the Predecessor Franchisor in the Circuit Court of Tuscaloosa County, Alabama. The plaintiff claimed payments were due on a promissory note made by the Predecessor Franchisor to the plaintiff in connection with a mutual termination of the plaintiff's area development agreement. The Predecessor Franchisor filed a Motion to Stay and Compel Arbitration which was denied. The Predecessor Franchisor filed a counterclaim. Plaintiff sought summary judgment for damages, costs, and attorney's fees totaling $162,066. The court granted summary judgment and this amount was awarded by the Circuit Court and affirmed by the Supreme Court on August 16, 2013. This dispute was settled with a Release and Settlement Agreement dated September 13, 2019, that included dismissal of all claims and payment of the judgment in full, plus interest, by Predecessor Franchisor to plaintiff.

2. Bad Ass Coffee Company of Hawaii, Inc. v. Royal Aloha International, LLC, (Third Judicial District Court, Salt Lake County, Utah, Civil No. 130906130.) On September 13, 2013, Predecessor Franchisor brought a declaratory action to have a license agreement declared judicially unenforceable that purported to grant the Defendant worldwide rights to all of Predecessor Franchisor's BAD ASS COFFEE Shops and related franchise rights, except in the United States, Malaysia, and Japan. The trial court held that the license agreement was enforceable and binding on the parties. The defendant counterclaimed against Predecessor Franchisor alleging breach of contract by repudiation and asserted damages in excess of $2.4 million. A jury returned a verdict of $100,000 against Predecessor Franchisor. Predecessor Franchisor appealed the verdict and the parties settled the claims and the outstanding judgment with a payment of $75,000 to Defendant. A Satisfaction of Judgment was entered in the court records on March 1, 2021, effectively ending this case.

Other than these actions, no litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

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ITEM 5

INITIAL FEES

Development Agreement

Development Fee

You will sign a Development Agreement for a minimum of three (3) BAD ASS COFFEE OF HAWAII Shops, along with the initial Franchise Agreement for your first Shop. When you sign the Development Agreement and Franchise Agreement, you must pay a fee of $100,000 (the "Development Fee"). The Development Fee covers and includes the initial franchise fees for your first three (3) Shops ($40,000 for the first Shop, plus a $30,000 initial franchise fee for the second and third Shops, respectively). The Development Fee is due and payable to us in three (3) installments, as follows: (i) $50,000 upon execution of the Development Agreement; (ii) $25,000 upon the six-month anniversary of the execution of the Development Agreement; and (iii) $25,000 upon the 12-month anniversary of the execution of the Development Agreement.

If we grant you the right to enter into a franchise agreement for an additional one (1) or more franchised Shops (whether within the Development Agreement, pursuant to a subsequent multi-Shop development agreement, or in the event we authorize the grant of rights to develop and open a single Shop), then the initial franchise fee is $30,000 per Shop.

The Development Fee and the initial franchise fees are earned by us upon receipt, are paid as consideration for the grant of a Development Area reserved for your development of Shops, and are not refundable.

If you qualify as a veteran of the United States armed forces, we will discount the Development Fee by $10,000 ("**Veteran's Discount**").

Grand Opening Marketing

In addition to the Development Fee, you are also required to pay us $15,000 to design the grand opening marketing campaign, which will be conducted at or around the time your Shop opens for business.

Initial Inventory Package

You will also pay approximately $12,500 to our affiliate, Enterprises, for your opening inventory of roasted coffee, branded cups, lids, syrups, powdered drink blends, tea and an opening inventory of packaged coffee and branded merchandise.

Shop Opening Assistance Fee

Upon signing the Franchise Agreement for each Shop you will open pursuant to your Development Agreement, you must pay a "Shop Opening Assistance Fee" of $7,500, which offsets costs of pre-opening assistance we provide you in supporting your efforts to find, develop and open each Shop (the "Shop Opening Assistance Fee").

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Franchise Agreement – Non-Traditional Shop

Non-Traditional Unit Franchise Fee

You must sign a Franchise Agreement for each Non-Traditional Bad Ass Coffee of Hawaii shop and will pay a $25,000 Franchise Fee at the time of execution of the Franchise Agreement.

If you qualify as a veteran of the United States armed forces, we will discount the first Non-Traditional Franchise Fee by $10,000 ("**Veteran's Discount**").

Initial Inventory Package

You will also pay approximately $2,500-$12,500 to our affiliate, Enterprises, for your opening inventory of roasted coffee, branded cups, lids, syrups, powdered drink blends, tea and an opening inventory of packaged coffee and branded merchandise.

Shop Opening Assistance Fee

Upon signing the Franchise Agreement for each Non-Traditional Shop you will open pursuant to your Franchise Agreement, you must pay a "Shop Opening Assistance Fee" of between $5,000 to $7,500, depending upon format, which offsets costs of pre-opening assistance we provide you in supporting your efforts to develop and open each Non-Traditional Shop (the "Shop Opening Assistance Fee").

Except as otherwise disclosed above, all of the fees described in this Item 5 are not refundable, are deemed fully earned when paid, and are uniformly imposed.

ITEM 6

OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty[1]	5% of Net Sales	Payable bi-monthly on the 1st and 16th days of each month, based on Net Sales during the prior period	"Net Sales" include all revenue from the Shop, including sales made away from the Shop premises. Net Sales do not include sales taxes and discounts that have been approved by us in advance. Royalties are paid by electronic transfer of funds.
National Marketing Contribution[1]	2% of Net Sales	Payable bi-monthly on the 1st and 16th days of each month, based on Net Sales during the prior period	Contributions are used primarily for production and placement of advertising and marketing for the brand nationally and the Shops. Our affiliate-owned Shops contribute the same as franchisee-owned Shops. The National Marketing Contribution is paid by electronic transfer of funds separate from the royalty transfer.

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Type of Fee	Amount	Due Date	Remarks
Local Marketing Expenditure[5]	Minimum of $4,000 per quarter, for each of the first 6 quarters from date of opening, if your Shop is in a new market or in a nearby market that does not yet have a Shop.	Paid to local vendors	We reserve the right to require new franchise locations in new markets (with no other Bad Ass Coffee of Hawaii shop in a marker or in nearby markets) to invest a minimum of $4,000 per quarter in local marketing channels for the first 6 quarters of operation. Spending reports, invoices/receipts submitted to Franchisor via Aloha U Franchise Portal within 30 days of calendar quarter end will be required. We also reserve the right to require an ongoing Local Marketing Expenditure up to a maximum of 3% of its quarterly Net Sales on local advertising, upon 60 days' prior written notice.
Costs of Inspection and Audit[1]	Varies, with interest on any past due amounts at lesser of 1½ % per month or highest rate of interest allowed by law	15 days after receipt of our notice to you of any underpayment	Payable only if we decide to conduct an audit and: (1) you understated your Net Sales by more than 3%; (2) the audit resulted from your failure to submit reports to us or our inability to collect royalties due for either two consecutive 2-week periods or four total 2-week periods during any calendar year; or (3) you do not cooperate in our request for an inspection and audit.
Transfer Fee[1]	$15,000, plus $2,500 for each undeveloped franchise under a Development Agreement	Before effectiveness of transfer	Transfers of development rights are not permitted. However, if we agree to a transfer of a Development Agreement, additional development fees may be charged to the buyer if a new Development Agreement is signed.
Renewal Fee[1]	$5,000 for a single (first) franchise	When you sign the then current Franchise Agreement	Payable if you opt for and qualify for a successor franchise at the end of the initial term. We waive the payment of an initial franchise fee for those franchisees who renew.
Additional Assistance and Training Fee[1]	$1,000 a day, plus travel and living expenses for assistance. New managers attending initial training will cost $2,500, plus travel and living expenses[3].	As incurred	Payable only if you request additional on-site assistance or if we require you to receive on-site assistance.
Inventory Purchases[1,4]	Published prices at time of order	As incurred	You will pay our affiliate for items you purchase when you order them. You must maintain an inventory of 50 to 75 pounds of bulk coffee and 40 to 50 pounds of retail coffee; failure to meet these minimums is a default under the Franchise Agreement.

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Type of Fee	Amount	Due Date	Remarks
Technology Fee[1]	$499 per month or the then-current rate as set forth in the Operations Manual	Payable in two installments of $249.50 each, on the 1st and 16th days of each month beginning 60 days prior to opening	The Technology Fee covers monthly subscription fees for the franchise learning management system and communications portal, certain components of the back-office management software, in-store music subscription, online ordering/loyalty/gift card software, and online marketing tools. Franchisees pay a monthly software fee to our designated third-party providers of the point-of-sale system ("**POS System**") software and back-office software. The amount of the Technology Fee is subject to adjustment only to reflect the pricing set by our third-party providers.
Internet Connection[5]	As charged by third-party vendors	Monthly or as charged	You are required to have and pay a fee to a third-party provider directly for an Internet connection for internet, back office and customer-facing technology.
Costs and Attorneys' Fees[1]	Will vary depending on nature of your default	As incurred	You must pay the actual costs and fees incurred if you fail to comply with the Franchise Agreement.
Indemnification Under Franchise Agreement[1]	Will vary depending on nature of the claim against us	As incurred	You have to reimburse us for actual costs and damages incurred if we are held liable for claims resulting from your operation of your Shop.
Interest and Late Charges[1]	$25 late charge per day up to $250, plus the lesser of 1½ % per month, or highest rate of interest allowed by law	Late fee automatically assessed; interest on demand	Begins to accrue the day after payments are due.
Insurance Premiums[5]	Will vary depending on your location and insurer	As incurred	If you do not pay your premiums, although we do not have to, we can pay them for you and you must reimburse us for the actual amount of premiums that we pay.
Management Fee[1]	$500 per person, per day	As incurred	Payable if you experience a death, disability or financial crisis and we choose to send one or more representatives to manage your business on a temporary basis. You must also pay travel and living expenses for our representatives.

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Type of Fee	Amount	Due Date	Remarks
Liquidated Damages[1]	Will vary depending on remaining term of Franchise Agreement	On termination of your Franchise Agreement for uncured defaults	If we terminate your Franchise Agreement for uncured defaults, we have the right to recover lost future royalties for the period in which you failed to pay royalties including the remainder of the term of your Franchise Agreement. Lost future royalties will be calculated by averaging the royalties owed each month during the past 24 months and multiplying that average amount by the number of months remaining in the term of the Franchise Agreement. There is no cap on the lost future royalties we have the right to recover.

[1] Fees that we charge and must be paid to us or our affiliate. All fees are non-refundable and all are uniformly imposed on franchisees currently acquiring a franchise. We reserve the right to modify these fees under certain circumstances, including to resolve disputes, and when a franchise is sold to one of our officers or affiliated entities. Affiliate-owned Shops contribute to the National Marketing Fund, but do not pay royalties or other fees under a franchise agreement.

[2] Your required expenditures under your lease or retail center regulations may count toward this advertising requirement.

[3] Expenses associated with travel, meals and lodging while attending training sessions. All of these expenses are payable to third parties. These expenses will vary according to where you stay, where you dine and how far you have to travel.

[4] If you are not consistently timely in your payments for inventory, we may require you to pay on a C.O.D. basis.

[5] Fees that may be paid to or charged by a third party. These fees are usually nonrefundable.

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ITEM 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT

A. Development Agreement – (Single (First) Traditional Shop Under Development Agreement)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Development Fee[1]	$100,000	Installment Payments	$50,000 upon signing of the Development Agreement. $25,000 due 6 months after signing. $25,000 due within 12 months after signing the Development Agreement	Us
Architectural Services[2]	$18,000 - $30,000	As incurred	Before Opening	Other Suppliers
Shop Opening Assistance Fee[3]	$7,500	Lump Sum	Upon signing of the Franchise Agreement	Us
Building and Tenant Improvements[4]	$170,000 - $530,000	As incurred	Before Opening	Other Suppliers
Equipment Furnishings[5]	$152,000 - $220,000	As incurred	Before Opening	Other Suppliers
Signs[6]	$9,000 - $25,000	As incurred	Before Opening	Other Suppliers
Point-of-Sale System, Software and Office Equipment[7]	$1,200 - $4,500	As incurred	Within 10 days of signing lease for software and hardware; Before opening for office equipment	Other Suppliers
Opening Inventory[8]	$12,500	Lump Sum when ordered	Before Opening	Our Affiliate, Royal Aloha Enterprises, and Sysco – approved food service supplier.
Security Deposits, Utility Deposits, Business Licenses[9]	$5,000 – $10,000	As incurred	Before Opening	Other Suppliers
Grand Opening Marketing Campaign[10]	$15,000	As incurred	Before Opening	Us
Initial Training: Travel and Living Expenses[11]	$4,000 – $6,000	As incurred	Before Opening	Other Suppliers

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Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Additional Funds - 3 Months[12]	$30,000	As incurred	As incurred	Other Suppliers
TOTAL ESTIMATED INITIAL INVESTMENT[13]	**$524,200 to $990,500**			

Explanatory Notes to Chart 7(A)

Generally: The estimated initial investment set forth above is for one (1) traditional Shop that you will develop and open pursuant to the Development Agreement (and pursuant to the initial Franchise Agreement you sign at the time you enter into the Development Agreement). We do not provide an estimate for the initial investment you will incur in connection with your second and third Shops pursuant to the Development Agreement because the development and opening of such Shops is likely to occur more than six (6) months following the execution of the Development Agreement. Unless otherwise specified, all expenses and fees set forth in the Chart above are deemed fully earned when paid are not refundable.

Note 1: Development Fee. The Development Fee is described in more detail in Item 5. We do not currently grant rights to develop and open single unit Shops. We may offer to our current franchisees the right to open additional single units for $30,000 each, and in very limited circumstances we may offer new franchisees the right to open a single unit if they wish to operate in a geography that cannot support multiple units. If we do, the initial franchise fee is $40,000 for the first Shop.

Note 2: Architectural Services. The range estimated above represents the costs you will incur in connection with engaging our approved architect to provide architectural drawings and blueprints for your franchised Shop.

Note 3: Shop Opening Assistance Fee. Upon signing the Franchise Agreement for each Shop you will open pursuant to your Development Agreement, you must pay a "Shop Opening Assistance Fee" of $7,500, which offsets costs of pre-opening assistance we provide you in supporting your efforts to find, develop and open each Shop (the "Shop Opening Assistance Fee").

Note 4: Building and Tenant Improvements. Typically, a BAD ASS COFFEE OF HAWAII Shop will have approximately 1,250 to 1,650 square feet of retail space and will seat approximately 10 to 20 customers. The lower estimate in the chart assumes that a tenant finish allowance is negotiated; the high-range estimate assumes no tenant finish allowance. Your costs for tenant finish for a Shop will depend in large part on the square footage of your Shop, whether your space must be completely constructed or is a remodel of an existing space, whether HVAC units need to be installed, and the location and overall costs in the market in which you are developing the Shop, among other factors. The estimates in the above chart reflect the build-out of average empty space based on the recommended Shop size, although your actual costs may be less or more than the estimates. The leasehold improvements that you will typically make to a built but unimproved location may include: interior remodeling, floor covering, painting, HVAC, electrical, plumbing/floor drains, grease traps, concrete cutting/reflow, interior wall construction, public restrooms, design and other improvements. If you purchase property or a building, or both, for the Shop, your additional costs will depend on the location and size of the land and building. We do not typically invest in the land and building for a BAD ASS COFFEE OF HAWAII Shop. We are unable to estimate these costs due to the significant variances based on location and market conditions.

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Note 5: Equipment and Furnishings. The range above includes estimated costs for specified furniture, coffee makers, coffee grinders, espresso machines, kitchen equipment, other coffee bar equipment and small wares, menu board (Static, Digital or hybrid), external menu board/ordering system (Static, Digital or hybrid) for drive thru (if applicable), interior/exterior sound system, security equipment, and merchandising displays. Furnishings include tables and chairs, other furniture, artwork, graphics, blinds, specialty lighting, external furniture (if applicable) and other specific décor, furnishings.

Note 6: Signs. You must purchase and install a minimum of one (1) exterior sign, which must be lighted (if local permitting allows). You may be required to purchase and install additional exterior signs depending on the building type and position of the shop (a free-standing building or end-cap location may require additional signage). Certain street-facing buildings may also require both a front and rear exterior sign.

Note 7: Point-of-Sale System, Software and Office Equipment. The range above includes the estimated costs to purchase and license a minimum of one computerized point-of-sale (POS) system including a terminal, cash drawer, card reader, label printer, software and other optional equipment. This range also accounts for your Shop's telephone system, photocopier/scanner, and back-office computers, as well as payments for certain customized software and related hardware that you will use in every Shop. None of these payments are refundable once paid. Your costs may be higher if your shop design requires additional POS terminals. All costs are paid directly to third party vendors before the Shop opens. We reserve the right to require you to purchase a new POS System and to purchase proprietary software that we may develop in the future from us or a designated supplier. See Items 8 and 11 for other information about the required POS System and computer hardware and software for your Shop.

Note 8: Opening Inventory. You must open with and maintain a minimum inventory of roasted coffee, branded cups, lids, syrups, powdered drink blends, tea and an opening inventory of packaged coffee and branded merchandise, which you purchase from our affiliate, Enterprises. You must also acquire certain opening inventory from our approved third-party supplier.

Note 9: Security Deposits, Utility Deposits and Business Licenses. Security deposits, if applicable to your Shop, typically range from one to two months' rent; utility deposits typically range from a nominal amount to approximately $1,000; and business licenses typically range from approximately $100 to $3,000.

Note 10: Grand Opening Marketing Campaign. You will pay us this amount to advertise and manage the grand opening event for each BAD ASS COFFEE OF HAWAII Shop you open.

Note 11: Initial Training: Travel and Living Expenses. Your travel and living expenses when you attend your Franchisee Orientation Program and Initial Training Program will vary depending on the distance you must travel and the standard of living you desire while you attend the program. The estimate in the chart covers expenses for three people attending our Franchisee Orientation Program in Denver, CO and your Initial Training Program at a location as determined by us, which includes classroom training and hands-on training in an operating Bad Ass Coffee of Hawaii store.

Note 12: Additional Funds. We relied on our principals' experience in the restaurant industry as well as evaluating new store opening expenses associated with BAD ASS COFFEE OF HAWAII Shops since 2020 when preparing these figures. This estimates your pre-operational expenses, which we have not listed above, as well as additional funds necessary for the first three months of your business operations. This range includes a variety of expenses and working capital items during your start-up phase such as: rent; debt service; legal costs; accounting fees; insurance premiums; additional advertising and promotional

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expenses and materials; employee salaries; and other miscellaneous costs. However, this item excludes your salary.

Note 13: Basis For Estimates; Financing. None of the fees estimated in the chart above are refundable. We do not offer financing either directly or indirectly for any part of the initial investment.

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B. Franchise Agreement - Non-Traditional Shop (Single Shop)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Non-Traditional Franchise Fee	$25,000	Lump Sum	Upon signing of the Franchise Agreement.	Us
Architectural Services[1]	$0 - $30,000	As incurred	Before Opening	Other Suppliers
Shop Opening Assistance Fee[2]	$5,000 - $7,500	Lump Sum	Upon signing of the Franchise Agreement	Us
Cart, Vehicle, Building and Tenant Improvements[3]	$50,000 - $530,000	As incurred	Before Opening	Other Suppliers
Equipment Furnishings[4]	$75,000-$220,000	As incurred	Before Opening	Other Suppliers
Signs[5]	$1,500 - $25,000	As incurred	Before Opening	Other Suppliers
Point-of-Sale System, Software and Office Equipment[6]	$1,200 - $4,500	As incurred	Within 10 days of signing lease for software and hardware; Before opening for office equipment	Other Suppliers
Opening Inventory[7]	$2,500 - $12,500	Lump Sum when ordered	Before Opening	Our Affiliate, Royal Aloha Enterprises, and Sysco – approved food service supplier.
Security Deposits, Utility Deposits, Business Licenses[8]	$2,500 – $10,000	As incurred	Before Opening	Other Suppliers
Grand Opening Marketing Campaign[9]	$5,000 - $15,000	As incurred	Before Opening	Us
Initial Training: Travel and Living Expenses[10]	$4,000 – $6,000	As incurred	Before Opening	Other Suppliers
Additional Funds - 3 Months Operating Capital[11]	$15,000 - $30,000	As incurred	As incurred	Other Suppliers
TOTAL ESTIMATED INITIAL INVESTMENT[13]	**$186,700 - $915,500**			

Explanatory Notes

Generally: The estimated initial investment set forth above is for one (1) Non-Traditional Shop that you will develop and open pursuant to the Franchise Agreement. Unless otherwise specified, all expenses and fees set forth in the Chart above are deemed fully earned when paid are not refundable.

Note 1: Architectural Services. The range estimated above represents the costs you will incur in connection with engaging our approved architect to provide architectural drawings and blueprints for your

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franchised Shop. The low end of the above estimate assumes that your Non-Traditional Shop is operated in a format that does not require the preparation of architectural drawings or blueprints.

Note 2: Shop Opening Assistance Fee. Upon signing the Franchise Agreement for each Non-Traditional Shop, you must pay a "Shop Opening Assistance Fee" of between $5,000 to $7,500 (depending on the format of your Non-Traditional Shop), which offsets costs of pre-opening assistance we provide you in supporting your efforts to find, develop and open each Shop (the "Shop Opening Assistance Fee").

Note 3: Building and Tenant Improvements. Because of the wide range of Non-Traditional Shop formats, building and tenant improvement estimates vary widely. For example, a Coffee Cart may require minimal, or no, building and improvement, while a free-standing Drive-Thru location may require substantial buildout and improvement. The low end of the estimate in the chart above assumes you have elected to open and operate a Coffee Cart, Kiosk or "tenant ready" food court or captive audience serving counter unit with little or no tenant finish or tenant finish allowance included or required. The high end of the above estimate assumes significant tenant finish of a free-standing structure with no tenant finish allowance. Your costs for tenant finish for a Shop will depend in large part on the square footage of your Shop, whether your space must be completely constructed or is a remodel of an existing space, whether HVAC units need to be installed, and the location and overall costs in the market in which you are developing the Shop, among other factors. The estimates in the above chart reflect the build-out of average empty space based on the recommended Shop size, although your actual costs may be less or more than the estimates. The leasehold improvements that you will typically make to a built but unimproved location may include: interior remodeling, floor covering, painting, HVAC, electrical, plumbing/floor drains, grease traps, concrete cutting/reflow, interior wall construction, public restrooms, design and other improvements. If you purchase property or a building, or both, for the Non-Traditional Shop, your additional costs will depend on the location and size of the land and building. We do not typically invest in the land and building for a BAD ASS COFFEE OF HAWAII Shop, including for Non-Traditional Shops. We are unable to estimate these costs due to the significant variances based on location and market conditions.

Note 4: Equipment and Furnishings. The range above includes estimated costs for specified furniture, coffee makers, coffee grinders, espresso machines, kitchen equipment, other coffee bar equipment and small wares, menu board (Static, Digital or hybrid), external menu board/ordering system (Static, Digital or hybrid) for drive thru (if applicable), interior/exterior sound system, security equipment, and merchandising displays. The low end of the above estimate assumes minimal basic equipment which may not reflect the ability to serve a full menu, while the high end of the above estimate assumes you will purchase a full equipment package, which may include furnishings such as tables and chairs, other furniture, artwork, graphics, blinds, specialty lighting, external furniture (if applicable) and other specific décor and furnishings.

Note 5: Signs. You must purchase and install a minimum of one (1) sign, which may or may not be lighted based on the nature of the Non-Traditional Shop, and subject to local permitting requirements and restrictions. You may be required to purchase and install additional exterior signs depending on the building type and position of the shop (a free-standing building or end-cap location may require additional signage). Certain street-facing buildings may also require both a front and rear exterior sign.

Note 6: Point-of-Sale System, Software and Office Equipment. The range above includes the estimated costs to purchase and license a minimum of one computerized point-of-sale (POS) system including a terminal, cash drawer, card reader, label printer, software and other optional equipment. This range also accounts for your Non-Traditional Shop's telephone system, photocopier/scanner, and back-office computers, as well as payments for certain customized software and related hardware that you will use in every Shop. None of these payments are refundable once paid. Your costs may be higher if your Non-Traditional Shop format requires additional POS terminals. All costs are paid directly to third party

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vendors before the Shop opens. We reserve the right to require you to purchase a new POS System and to purchase proprietary software that we may develop in the future from us or a designated supplier. See Items 8 and 11 for other information about the required POS System and computer hardware and software for your Shop.

Note 7: Opening Inventory. You must open with and maintain a minimum inventory of roasted coffee, branded cups, lids, syrups, powdered drink blends, tea and an opening inventory of packaged coffee and branded merchandise, which you purchase from our affiliate, Enterprises. You must also acquire certain opening inventory from our approved third-party supplier.

Note 8: Security Deposits, Utility Deposits and Business Licenses. Security deposits, if applicable to your Non-Traditional Shop, typically range from one to two months' rent; utility deposits typically range from a nominal amount to approximately $1,000; and business licenses typically range from approximately $100 to $3,000.

Note 9: Grand Opening Marketing Campaign. You will pay us this amount to advertise and manage the grand opening event for each Non-Traditional Shop you open. Grand Opening Marketing Campaign may be optional based on the format of your Non-Traditional Shop.

Note 10: Initial Training: Travel and Living Expenses. Your travel and living expenses when you attend your Franchisee Orientation Program and Initial Training Program will vary depending on the distance you must travel and the standard of living you desire while you attend the program. The range in the chart estimates expenses for up to three (3) people attending our Franchisee Orientation Program in Denver, CO and your Initial Training Program at a location as determined by us, which includes classroom training and hands-on training in an operating Bad Ass Coffee of Hawaii shop.

Note 11: Additional Funds. We relied on our principals' experience in the restaurant industry as well as evaluating new store opening expenses associated with BAD ASS COFFEE OF HAWAII Shops since 2020 when preparing these figures. This estimates your pre-operational expenses, which we have not listed above, as well as additional funds necessary for the first three months of your business operations. This range includes a variety of expenses and working capital items during your start-up phase such as: rent; debt service; legal costs; accounting fees; insurance premiums; additional advertising and promotional expenses and materials; employee salaries; and other miscellaneous costs. However, this estimate excludes your salary.

Note 12: Basis For Estimates; Financing. None of the fees estimated in the chart above are refundable. We do not offer financing either directly or indirectly for any part of the initial investment.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Operations.

Your BAD ASS COFFEE OF HAWAII Shop must be established and operated in compliance with your Franchise Agreement. It is mandatory that you comply with the standards and specifications contained in an operations manual we provide to you, in the form of one or more manuals, technical bulletins, electronic messages, or other written materials sent electronically (referred to collectively in this Disclosure Document as "**Operations Manual**"), which we may modify. We provide you with our mandatory standards and specifications for the coffee, tea and other non-coffee beverages, food items, merchandise,

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packaged coffee beans, employee training, marketing and advertising, customer relations and related products and services offered at or through your Shop and for the Franchised Location, décor, equipment, furniture, fixtures, supplies, forms, advertising material, and other items.

Shop Build-Out and Lease.

You must, at your expense, develop architectural plans, construct, convert, design and decorate the Shop location in accordance with our plans and specifications. You will use Architects designated by or otherwise approved by the Franchisor to develop design plans for your Shop location to our specifications. You will use general contractors designated by or otherwise approved by the Franchisor to build out your shop.. You will work/coordinate with our Construction and Real Estate team throughout the entire planning, construction and finishing project. If you wish to propose an alternate supplier for a service or product, you may request in writing for us to review and evaluate. We may require qualifications, samples, specifications, additional information, and may require inspection of the proposed supplier's facilities. We will notify you in writing within 30 days after receiving all requested information and advise if you are authorized to use the alternate supplier's service or product. We reserve the right to revoke our approval of any supplier or service that does not meet our specifications. Depending upon our assessment of your prior real estate construction experience, you may not be required to use our professional real estate and construction project management services for your sire selection and shop build out. Standard real estate and construction project management assistance is covered by our Shop Opening Assistance Fee, except for travel, comprehensive site inspection services and other out-of-pocket expenses incurred by the vendor in connection with your site approval.

You may not represent yourself, or your entity as a Bad Ass Coffee of Hawaii franchisee with brokers, land-owners, developers, landlords, commercial property management companies, etc. in the search for potential Shop locations until you have been awarded a Franchise Agreement.

We require that you obtain our written consent to any proposed Franchised Location. Such consent shall be based on the location's conformity with our Real Estate site selection criteria and be supported by formal site & demographic data reports.

We must approve any lease, including all lease amendments, or, if applicable, any purchase agreement for your Shop before you execute any of these agreements. Then, a copy of the signed lease is delivered to us within 15 days after signing. You must sign a lease for the Franchised Location within 8 months of signing the Franchise Agreement. The primary lease must contain certain provisions, or alternatively the landlord must enter into our prescribed form of addendum. which grant us certain rights, including a collateral assignment of the lease if you default and we choose to assume the lease.

You are responsible for obtaining the landlord's consent to the terms we require in your lease. We reserve the right to modify these required lease terms and to require you to use our standard form of lease or lease rider, in our discretion.

Computer System.

You must purchase or lease a POS System from our approved supplier. We reserve the right to change the POS System specifications on 30 days' notice, requiring you to upgrade or replace the POS System's hardware and software at your expense. We may also change standards for data security and require you to purchase hardware, software or monitoring services that comply with our standards on 30 days' notice. Each of our franchisees must also use operations and accounting software that have capabilities meeting our standards and specifications. We also have designated suppliers for the POS System operating software, back-office software, and software maintenance and update services. You

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currently pay the suppliers directly for the POS System software and back-office software. We reserve the right to change the approved supplier for the POS System software, back-office software, and software maintenance and update services. We do not currently derive revenue from your purchase and license of the POS System software and back-office software, but we reserve the right to do so. We can require you to purchase from us or from an approved supplier any modifications and upgrades to software that may be developed in the future. We also reserve the right to develop and license to you proprietary software from which we could derive revenue, although we have not developed any at this time.

Purchases from Designated or Approved Sources.

We require that you purchase from our affiliate, Royal Aloha Enterprises ("**Enterprises**"), proprietary items included roasted coffees, powdered drink blends, syrups, tea, branded cups, lids, certain branded merchandise, packaged coffee and other proprietary items that we have developed ("**Proprietary Items**"). Enterprises is currently the only approved supplier of the Proprietary Items, but we reserve the right to designate other suppliers in the future. We refrain from divulging the formulations for Proprietary Items because we maintain the formulations as trade secrets. Enterprises charges the same prices for Proprietary Items to franchised Shops as it charges to company and affiliate-owned Shops.

You will purchase some equipment and certain branded merchandise for your Shop, including coffee grinders, coffee brewing machines, espresso machines, supplies and products for retail sale either from us, directly from designated suppliers of these items or through purchasing arrangements we have negotiated. You will purchase or lease the rest of your equipment, exterior signage, furniture, a back office computer, software, and other inventory, supplies, printing services for marketing materials and in-Shop signs, and services used, sold or leased through your BAD ASS COFFEE OF HAWAII Shop only from suppliers designated or approved by us in advance. We may require that you purchase and maintain inventories of designated brand items, as well as items necessary to participate in required national or other promotions.

You may only purchase, lease, sell or use equipment, computers, inventory, supplies and services meeting our standards and specifications. After you sign the Franchise Agreement, we will make available to you a list of our designated and approved suppliers, the standards and specifications for items to be used, sold or leased by you at your BAD ASS COFFEE OF HAWAII Shop, as well as our criteria for approving a supplier. We reserve the right to require you to purchase certain items of furniture, supplies, inventory or equipment directly from us or Enterprises if we purchase such items in bulk**.**

Other than Enterprises, we are not currently affiliated with any designated or approved suppliers. Two of our officers are also officers of Enterprises, and two of our officers also own an interest in Enterprises, a wholly-owned subsidiary of Parent. Two of our officers own an interest in Royal Aloha Coffee Company, LLC, our parent company and the parent company of Enterprises. We reserve the right to sell products, equipment, supplies and services to franchisees and to derive revenue from such sales. Enterprises sells certain Proprietary Items to franchisees. In the fiscal year ended December 31, 2025, we did not derive any revenue on account of franchisees' required purchases. For the fiscal year ended December 31, 2025, Enterprises derived $4,909,547 in gross revenue from purchases of Proprietary Items by franchisees. We estimate that the costs of your purchases from designated or approved sources, or according to our standards and specifications, may range from 70% to 80% of the total cost of establishing a BAD ASS COFFEE OF HAWAII Shop and approximately 30% of the total cost of operating a BAD ASS COFFEE OF HAWAII Shop after that time.

You may not purchase or lease any inventory, equipment, supplies, or services we have not approved, or purchase or lease these items from a supplier we have not designated or approved. You must notify us and obtain our written approval in advance if you want to purchase or lease items from a supplier

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we have not designated or approved. The notification should include sufficient specifications, photographs, drawings and other information and samples to determine whether those items or those suppliers meet our specifications. You must reimburse us for the actual cost of any testing and the reasonable cost of investigation to determine whether those items or those suppliers meet our specifications. We will not unreasonably withhold our approval of a supplier of your choosing, if the supplier meets our published standards and specifications. We will notify you in writing within 30 days of receiving your request if we reject a proposed supplier. We reserve the right to change the published standards regarding any approved supplier or any inventory, equipment, supplies, or services used, or offered for sale by franchisees upon 30 days written notice to all franchisees and all approved suppliers. We may revoke our approval of a supplier on 30 days prior written notice.

Currently, we receive rebates from two of our approved vendors, one of which provides cleaning supplies to our System franchisees, and one of which is a buying co-op for certain items in connection with the operations of our franchised Shops. Currently, we receive a rebate in the amount of between $300 to $600 per quarter from our provider of cleaning supplies, and a rebate in the amount of between $1,900 to $3,750 per quarter from our buying co-op vendor. These rebates are paid quarterly and are passed along to our franchisees that use such vendor(s). Otherwise, we do not provide material benefits, such as renewal or granting additional franchises to franchisees, based on your use of designated or approved sources or suppliers.

Advertising and Marketing.

You are responsible for marketing your own BAD ASS COFFEE OF HAWAII shop. All local store marketing investment and execution is your responsibility. All marketing and promotion of your BAD ASS COFFEE OF HAWAII Shop must conform to our standards and specifications. Your Shop must participate in promotions we designate in the Operations Manual for all BAD ASS COFFEE OF HAWAII Shops, or for all BAD ASS COFFEE OF HAWAII Shops within a particular area. We retain the right to develop and control all Internet advertising and messages of any kind, including social media, using our Marks. We provide local store marketing assistance, training support and creative assets to allow individual shops the ability to manage their own local social media pages as approved by us. However, we reserve the right to restrict or deny local store social page management based on failure to maintain marketing standards and protocols or based on overall store performance in meeting operations standards. All BAD ASS COFFEE OF HAWAII Shops, including our Shops, must participate in future promotions we may adopt.

Gift Card and Other Promotional Card Programs.

We require you to participate in a prepaid card physical or digital gift card, rewards card and customer loyalty program (each, a "**Card Program**"). The Card Program is administered by our affiliate, GC. You must follow the guidelines set forth in the Operations Manual with respect to your obligations and responsibilities under the Card Program, the methods of operation for the Card Program, the transaction information you are required to provide to us and the retention of complete and accurate records regarding transactions made pursuant to the Card Program. The POS System will have the Card Program software integrated in it. To comply with applicable state laws and regulations, the funds you receive in connection with the sale, activation and reloading of prepaid cards, gift cards, rewards cards or similar promotional cards, and the subsequent transactions which are made by the holders of such cards will be accounted for separately from other sales made at your Shop. We reserve the right to collect the funds you receive in connection with the sale and activation and reloading of prepaid cards, gift cards, rewards cards or similar promotional cards for reconciliation of the cardholder revenue and debited cardholder sales. You are responsible for compliance with all federal and state laws that may regulate gift and stored value cards, including any unclaimed property laws in your state. We may charge you transaction fees to activate,

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reload, redeem and otherwise administer a Card Program. You may be required to sign an addendum to your Franchise Agreement as a condition of participation in a Card Program. Additionally, we have the right to audit your books, records and processes relating to a Card Program. You may be required to pay the costs of an audit if the audit reflects an underpayment of more than 5% during the period reviewed.

Insurance.

All insurance must meet our standards and specifications and must be written by a responsible carrier or carriers reasonably acceptable to us. You must procure, maintain and provide evidence of (i) comprehensive general liability insurance with a limit of not less than $2,000,000, combined single limit; (ii) unemployment and worker's compensation insurance, in an amount sufficient to meet the requirements of applicable law; (iii) employment practices liability insurance of not less than $500,000 to $1,000,000 per claim, including third-party liability, wage and hour defense costs, punitive and exemplary damages claims; (iv) all-risk personal property insurance in an amount equal to or exceeding the replacement costs of the contents and tenant improvements at your Shop; and (v) cyber liability insurance with a limit of not less than $1,000,000 per claim. You must provide us with certificates of insurance evidencing your insurance coverage before the opening of your BAD ASS COFFEE OF HAWAII Shop. All insurance policies must name us as an additional insured and give us at least 30 days prior written notice of termination, amendment or cancellation. You must furnish us with copies of all required insurance policies or other evidence of insurance coverage and payment of premiums as we request periodically. We reserve the right to require you to change the type of insurance you are required to maintain and, upon 60 days prior written notice to you, to revise the required coverage limits.

Your obligation to obtain and maintain the foregoing insurance policies in the amounts we specify will not be limited in any way by reason of any insurance maintained by us, nor will your performance of that obligation relieve you of liability under the indemnity provisions in the Franchise Agreement.

If you fail to procure or maintain the insurance that we require, we may (but are not required to) obtain the required insurance and charge the cost of the insurance to you. The costs to us of obtaining the insurance, together with a fee for our expenses in so acting, will be payable by you immediately upon notice. The foregoing remedies will be in addition to any other remedies we may have at law or in equity.

Purchasing Arrangements.

Except as otherwise disclosed, we have no purchasing or distribution cooperatives, although we may establish pricing programs with certain suppliers based on volumes purchased. Periodically, we may negotiate other purchase arrangements with suppliers for the benefit of our franchisees. We have the right to receive payments from suppliers on account of their dealings with you and other franchisees. We may, in our discretion, retain the credit of any volume discounts, rebates or incentives received as a result of your purchases, use them for training purposes or contribute them to the National Marketing Fund.

ITEM 9
FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.

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Obligation	Section In Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 3.1, 5.1 and 5.2 of Franchise Agreement; Section 5.3 of Development Agreement	Items 8 and 11
b. Pre-opening purchases/leases	Sections 5.2, 5.3, 5.4, 5.5 and 5.6 of Franchise Agreement	Items 5, 6, 7 and 8
c. Site development and other pre-opening requirements	Sections 5.3, 5.4, 5.5, 5.6 and 5.7 of Franchise Agreement	Items 7, 8 and 11
d. Initial and ongoing training	Article 6 of Franchise Agreement; Article 6 of Development Agreement	Item 11
e. Opening	Section 5.9 of Franchise Agreement	Item 11
f. Fees	Articles 4, 11, 12, and 13, Sections 16.1, 18.3, 19.4, 20.3, and 23.8 of Franchise Agreement; Section 8 of Amendment to Franchise Agreement (Renewal) ("**Renewal Amendment**"); Article 4 and Section 5.2(c) of Development Agreement	Items 5, 6 and 7
g. Compliance with standards and policies/Operations Manual	Article 8 and Sections 14.1 and 14.2 of Franchise Agreement	Item 1
h. Trademarks and proprietary information	Article 15 and Section 21.3 of Franchise Agreement; Article 7 of Development Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 3.3, 10.1(d), 11, and 14.4 of Franchise Agreement	Items 11 and 16
j. Warranty and client service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Not Applicable – Franchise Agreement; Articles 2 and 5 of Development Agreement	Item 12
l. On-going product/service purchases	Sections 14.5, 14.6 and 14.7 of Franchise Agreement	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 10.1(a), (b) and (h) of Franchise Agreement; Section 3 of Renewal Amendment	Item 11
n. Insurance	Article 22 of Franchise Agreement	Item 7
o. Advertising	Article 13 of Franchise Agreement	Items 6, 7 and 11
p. Indemnification	Section 20.3 of Franchise Agreement; Section 10.3 of Development Agreement	Item 6
q. Owner's participation/management/ staffing	Sections 10.1(c) and (i) of Franchise Agreement	Items 11 and 15
r. Records/reports	Article 16 of Franchise Agreement	Item 6

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Obligation	Section In Agreement	Disclosure Document Item
s. Inspections/audits	Sections 14.3 and 16.5 of Franchise Agreement	Item 6
t. Transfer	Article 17 of Franchise Agreement; Article 8 of Development Agreement	Item 17
u. Renewal	Section 18.3, 18.4 and 18.5 of Franchise Agreement; Renewal Amendment, Exhibit D	Item 17
v. Post-termination obligations	Section 19.4 of Franchise Agreement; Sections 9.3 and 11.2 of Development Agreement	Item 17
w. Non-competition covenants	Article 21 of Franchise Agreement; Article 11 of Development Agreement	Item 17
x. Dispute resolution	Section 23.4 and 23.5 of Franchise Agreement; Sections 13.4 and 13.5 of Development Agreement	Item 17
y. Owners/Shareholders Guaranty	Section 10.1(i) of Franchise Agreement; Exhibit II to Franchise Agreement; Exhibit II to Development Agreement	Item 15

ITEM 10
FINANCING

We do not offer direct or indirect financing to you. We do not guarantee your note, lease, or other obligations.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Pre-Opening Assistance.

Before you open your BAD ASS COFFEE OF HAWAII Shop, we or our designee will:

1. Assist you in locating the site for your BAD ASS COFFEE OF HAWAII Shop facility by providing you with our written criteria and requirements for a Shop location; introduce you to our Real Estate Partner for site location assistance that is familiar with our brand and can provide you with real estate assistance in your market at no cost to you; provide site analytics and data; and consult with you about possible locations. You must locate and obtain our approval of the Franchised Location and the lease for your location before you sign it. No contractual limit exists on the time it takes us to approve or disapprove your proposed location. However, we typically take 3 to 5 business days to approve or disapprove your proposed location; however, we may take longer if a physical visit to the site is required. We will extend your development deadlines when circumstances beyond your reasonable control delay the site selection and approval process. We do not typically own a location and lease it to you. If we disapprove of any site you propose, we will grant you an additional, reasonable period of time to obtain an alternative site, as we

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determine. (Sections 5.1, 5.2 and 7.1.b. of Franchise Agreement and Section 5.3 of the Development Agreement.)

2. Provide you with a list of approved architects to complete a set of construction documents for your Bad Ass Coffee of Hawaii at your expense for your site and our standards and specifications for the leasehold improvements, signs, color, decor, products, inventory, equipment, POS System, computer hardware and software and displays. Should you wish to use an architect that is not approved, they must be fully vetted by us and must meet our qualification standards. While approval will not be unreasonably withheld, approval is not guaranteed. We must approve your construction plans and specifications before construction begins. You are responsible for the cost of plans prepared by our designated architect, for any second review of your construction plans by us, if necessary, and for the cost of construction. We will provide you with a list approved construction contractors. You may also be required, based on your prior construction experience, to hire qualified Construction Project Management Services at no cost to you other than certain direct expenses, to ensure that your construction process is completed on time, on budget and with your objectives and financial interests fulfilled, as well as those of the Franchisor. (Sections 5.3, 5.4, 5.5, 5.6 and 7.1.c. of Franchise Agreement.)

3. Provide you with information regarding the required and approved suppliers of equipment, items and materials used, and coffee products and merchandise offered for sale, in connection with your Shop. We will make available to you a list of required suppliers of such equipment, items, materials, products and merchandise and, if available, a description of any regional or central purchase and supply agreements offered by such approved suppliers for the benefit of our franchisees. (Sections 7.1.d. and 14.5 of the Franchise Agreement.)

4. Before the Shop's opening, we conduct an initial training program described below in this Item. (Sections 6.1, 6.2 and 7.1.a of Franchise Agreement and Section 6.1 of Development Agreement.)

5. Give you access to an electronic copy of our confidential and proprietary Operations Manual, covering the specifications, standards and operating procedures that we require in a BAD ASS COFFEE OF HAWAII Shop, (Section 8.1 of Franchise Agreement.)

6. Provide planning and event management assistance in the grand opening and grand opening marketing of your BAD ASS COFFEE OF HAWAII Shop location. (Section 7.1.f. of the Franchise Agreement.)

The above assistance does not apply to a renewal franchisee.

Continuing Assistance.

During the operation of your BAD ASS COFFEE OF HAWAII Shop, we or our designee will:

1. Provide you access to advertising and promotional materials that we may, but are not required to, develop. We may, at our option, pass the cost of the advertising and promotional materials that you use on to you or charge the National Marketing Fund. (Section 9.1.a of Franchise Agreement.)

2. Upon your reasonable request, consult by telephone or electronic mail regarding the continued operation and management of your BAD ASS COFFEE OF HAWAII Shop and information regarding menu items, roasted coffee, customer relations, product purchase, supply and sale and similar advice. (Section 9.1.b of the Franchise Agreement.)

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3. Provide additional seminars, online webinars or programs, at a frequency that we will determine, on new methods, services, products, marketing techniques, and equipment. This may include a mandatory annual meeting or convention that all franchisees must attend at their expense. (Section 9.1.c of Franchise Agreement.)

4. Provide you with updates of information and programs regarding the Shop, the BAD ASS COFFEE OF HAWAII concept, the coffee industry generally and the Licensed Methods, at a frequency that we determine, including, without limitation, information about additions and improvements to menu offerings, coffee shop trends, products and merchandise which may be developed and made available for sale by franchisees. (Section 9.1.d of Franchise Agreement.)

5. Train replacement or additional Principal Managers and District Managers in the initial training program during the term of the Franchise Agreement. We reserve the right to charge a tuition or fee, commensurate with our then current published prices for such training, payable in advance. You are responsible for all wages, traveling and living expenses incurred by your personnel during training programs. The availability of the training programs is subject to space considerations and prior commitments to new franchisees. (Sections 6.2, 6.3 and 9.1.e of the Franchise Agreement.)

6. Provide you with, or otherwise make available, any updates, changes or modifications to the Operations Manual and or other manuals and support materials that are related to the operation of your Shop. You are responsible for making sure that you continually update your manual(s) once we have made such updates or revisions available to you. (Section 8.3 of the Franchise Agreement.)

7. Conduct regular inspections of your Shop, with or without notice, its operations, the menu items offered, the manner in which menu items are provided, inventory, coffee and merchandise for sale, services rendered within the Shop and your equipment, as we deem advisable in our sole discretion, to evaluate your compliance with our brand standards. (Section 14.3 of the Franchise Agreement.)

8. Administer a National Marketing Fund for the benefit of all BAD ASS COFFEE OF HAWAII Shops. We also review for approval any advertising proposed by you. (Sections 13.1, 13.2 and 13.3 of the Franchise Agreement.)

9. Review proposed transferees of your franchise business for approval. (Section 17.3 of the Franchise Agreement and Sections 8.2 and 8.3 of the Development Agreement.)

Advertising and Promotion.

Grand Opening Marketing and Follow-Up Local Advertising. We will design the grand opening marketing campaign, to begin approximately 6 weeks prior to your Shop opening and concludes approximately 8 weeks following your Shop opening. The grand opening promotion will cost $15,000, paid to us, and will typically consist of direct-mail, local outreach, promotions, advertising, guest giveaways, loyalty sign-up incentives, and other activities designed to optimize the launch of your Shop. All such activities are mutually planned by you and us. For Non-Traditional Shops, the required minimum grand opening promotion is between $5,000 to $15,000, as we designate depending upon the format of your Non-Traditional Shop. The grand opening promotion may include discounts on select coffee drinks, food items or merchandise. The dollar amount of discounts offered to customers does not count toward your grand opening expenses.

National Marketing Contribution. You must remit to us a contribution ("**National Marketing Contribution**") to our national marketing fund of 2% of your Net Sales. The National Marketing Contribution is due to us along with your Royalty payment, payable on the first and the sixteenth day of

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each month, or when we periodically designate, based on the amount of Net Sales in the previous period. We deposit the National Marketing Contributions collected from all BAD ASS COFFEE OF HAWAII Shops in our operating account ("**National Marketing Fund**"). All affiliate-owned BAD ASS COFFEE OF HAWAII Shops pay into the National Marketing Fund on an equal percentage basis with all franchised BAD ASS COFFEE OF HAWAII Shops. If you request it in writing, we will send you an annual, unaudited financial statement for the National Marketing Fund which indicates how the National Marketing Fund has been spent during the previous calendar year. Because we do not have the Fund audited, audited financial statements are not available to franchisees.

We administer the National Marketing Fund in our sole discretion. The National Marketing Fund proceeds may be used for the implementation and administration of the National Marketing Fund, including the creation, production and placement of commercial advertising, digital advertising, social media outreach and management, agency costs and commissions, creation and production of video, audio, and written advertisements, including social/digital, direct mail, radio and other media advertising and employing advertising agencies and in-house staff assistance, supporting public relations, market research, brand recognition, in-store national point-of-purchase materials, third-party shopping services, gift card and stored value card programs, customer loyalty programs, employee incentives and retention programs, training programs, Internet advertising, marketing through social media, website design and maintenance, electronic mail communication, and other advertising and marketing activities. We do not spend any of the National Marketing Fund on soliciting franchisees.

We may reimburse ourselves from the National Marketing Fund for administrative costs, salaries and overhead expenses related to the implementation and administration of the National Marketing Fund and its marketing programs, including conducting market research, preparing material and collecting and accounting for National Marketing Contributions. In any fiscal year we may spend an amount greater or less than the aggregate contribution of all BAD ASS COFFEE OF HAWAII Shops to the National Marketing Fund in that year. The National Marketing Fund may borrow from us or other lenders to cover deficits or cause the National Marketing Fund to invest any surplus for future use. Any amounts remaining in the National Marketing Fund at the end of each year accrue and we apply them toward the next year's expenses. We do not guarantee that advertising expenditures from the National Marketing Fund will benefit you or any other franchisee directly or on a pro rata basis. The National Marketing Fund is not a trust fund, and we do not owe a fiduciary duty to you with respect to the maintenance, direction or administration of the National Marketing Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due to any advertising account or for maintaining, directing or administering any advertising account. We reserve the right to terminate the National Marketing Fund upon 30 days prior written notice to all franchisees and any remaining monies will be distributed pro rata based on all BAD ASS COFFEE OF HAWAII Shops' contributions within the preceding 12 months.

We may use outside advertising agencies and personnel and in-house personnel to create local and regional advertising, including ad slicks, radio spots, direct mail, billboards and other marketing pieces and programs. We may, in our sole discretion, elicit input on advertising from all or a group of franchisees. You must purchase local advertising separately through local marketing and media sources within a geographical area. Local advertising is your responsibility.

You may create your own advertising and promotion materials; however, all advertising and promotion by you must be in such media and of such type and format as we may approve, must be conducted in a dignified manner and must conform to the standards and requirements as we may specify. You may not use any advertising or promotional plans, discounts, coupons, or other materials unless and until you have received written approval from us. You must participate in all national limited time offer (LTO) and other national promotions as developed and specified by us during the year. If those promotions include a

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discount on products or services, you agree to offer those discounts at your own expense. These promotions may also include all Loyalty related rewards and discounts.

We have established certain standards and specifications for System franchisees' management of local social media pages (the "Local Social Policy"). All local pages across all approved social media platforms must be managed in accordance with our Local Social Policy. We set up such pages and grant access to you following the completion of training. All use of social media in connection with the operation of your Shop must comply with our standards and specifications, including the Local Social Policy, and we reserve the right to inspect, take down or disable local social media management if brand standards and/or legal advertising standards are not met.

During the fiscal year ended December 31, 2025, we spent 56% of franchisee contributions to the National Marketing Fund on Shop location digital media spend (social networks, content creation/activation, social media management and social influencers). We spent 25% on Local Store Marketing (LSM) including local store activation kits, asset creation, production & distribution, and creative production. We spent 14% on loyalty programming, strategy, content creation and execution. We spent 5% on marketing services. We also made additional investments, above what was collected through the National Marketing Fund, in brand and marketing strategy. The National Marketing Fund is used for advertising, marketing, and promotions on a national basis; we are not obligated to spend any amount on marketing in any geographic area.

We have established a franchisee advisory council (the "FAC") that provides advice to us on various matters, including advertising generally. The FAC serves in an advisory capacity only and has no operational or decision-making power. We have appointed the five (5) members of the council based upon such franchisees' size, geography, and experience. Going forward, additional members will be elected by franchisees at our annual convention. We have the power to change or dissolve the FAC at any time upon 30 days' prior written notice, via the Manuals or otherwise in writing.

Local Advertising.

Though not required as of the date of this Disclosure Document, we reserve the right to require you to spend up to 3% of quarterly Net Sales on local advertising upon 60 days' prior written notice, in addition to the National Marketing Contribution. If we require it, you must give us an accounting of the amounts you spent on local advertising within 15 days following the end of each calendar quarter. If we require you to spend money on local advertising, all company-owned Shops would spend money for local advertising on an equal percentage basis with all franchised Shops. You may purchase local advertising separately through local marketing and media sources within a geographical area. Local advertising is your responsibility. We approve all final advertising and promotional materials before publication.

Advertising Cooperatives.

We have not created any advertising cooperatives.

Operations Manual.

Exhibit H to this Disclosure Document is the table of contents of our Operations Manual which is provided to you through our website. As of the date of this Disclosure Document, the total approximate number of pages in the Operations Manual is 442.

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Computer Systems.

As described in Item 8 above, you must utilize back-office operating software which has been specified by us. The back-office software will provide you with consolidated data to manage your business by providing tools to control labor and inventory. In addition, you will purchase or lease a POS System meeting our specifications. You must purchase a back-office computer, in addition to the POS System. The POS System software will allow you to record sales, process credit cards, and provides you with information necessary to prepare financial statements in accordance with our standards and specifications. You must take security measures that meet our standards to ensure the security of your network. Depending on our security standards and the software used with our POS System, you may be required to purchase additional security monitoring services and equipment, including, but not limited to firewall protection, from a vendor we approve. We may purchase these services or equipment for you if you do not comply, and you must reimburse us. We will have independent access to information through the POS System software and back-office software concerning sales and inventory of your Shop, and we will control the type of information that is provided through both systems. We require remote access to your POS System and back-office system. We reserve the right to require you to use additional software. The POS System and back-office system installation, configuration and integration must be performed in accordance with our standards and specifications. Maintenance and upgrade services will be provided by a designated supplier and you will pay the supplier directly.

We charge you a monthly Technology Fee for a management system and communications portal, in-store music, accounting management software, online ordering/loyalty and gift card software and online marketing tools. You will pay an ongoing fee directly to the provider of your POS System software. You will also pay an ongoing fee directly to the provider of the back-office software, though starting in January 2025 we intend to incorporate the back-office software fee into our Technology Fee and collect it directly from you.

The POS System includes a minimum of one integrated customer touchscreen terminal with MSR (Magnetic Strip Reader), a receipt printer, cash drawer, the software described above, a ticket/kitchen printer, ethernet cable and router. You may also need additional equipment including additional terminals, printers, kitchen monitors and hand-held terminals depending on the size and configuration of your Shop. If you use a back-office computer, the software must include Windows™ Professional available off-the-shelf. The total cost of the computer hardware and software you will need to operate your Shop, including the POS System, will be between $1,200 and $4,500 dependent on the size of your operation and the number of optional accessories you choose to include. In addition to the fees described above, we estimate that you will spend approximately $500 to $1,000 per year in optional or required maintenance, updating, upgrading or support contracts.

We will receive information contained in the computer databases through on-line communication contact with your POS System. We have no contractual limit on our right to receive information through your POS System and your back-office system. You must have a high speed Internet connection meeting our specifications to facilitate communication between you and us and among our franchisees.

We may require you to purchase, install and implement updates, upgrades, replacements and revisions to the POS System and back-office hardware and software or replace all hardware and software used in the POS System or back-office system on 30 days' notice. The same obligations apply to upgrades based on needs for increased bandwidth. No contractual limit exists on the frequency or cost of these obligations.

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Prices.

You are free to set your own prices for the beverages, food, coffee and tea products you sell in your Shop. We do not require minimum or maximum prices for any items. We do provide you with information about the costs associated with the products you sell and provide you with a business model tool to understand how the pricing you choose impacts your overall business. We also encourage you to assess your local competition when establishing your own prices.

Site Selection Assistance.

You will select and acquire the location for your BAD ASS COFFEE OF HAWAII Shops with our assistance. When you have selected a location for your Shop, you must submit specified information to us regarding the location so that we may accept or reject the proposed location. The following factors are considered by us when we review a proposed location: location character and desirability; pedestrian traffic counts; demographics; competition; lease terms and rates or purchase terms; visibility and parking access; the other tenants in the shopping center; and ingress and egress to the location. We will send a representative to your proposed location for on-site assessment before we approve of a location if needed. If, as of the date you sign your Franchise Agreement, you do not have the Franchised Location chosen and accepted by us, we will designate, by Addendum to the Franchise Agreement, a "**Designated Area**" within which you will find a Franchised Location. If you do not open your Shop within 15 months of the date you sign your Franchise Agreement, you may be notified of a default, subject to a 30-day cure period.

If you are developing 3 or more traditional Shops under a Development Agreement, we will approve the location of future Shops and the Protected Territories for them using our then-current standards for locations and Protected Territories.

Schedule For Opening.

We estimate that the typical length of time between the date you sign the Franchise Agreement and the date your BAD ASS COFFEE OF HAWAII Shop opens will be approximately six to 15 months. You must open your BAD ASS COFFEE OF HAWAII Shop within 15 months of signing the Franchise Agreement. The factors that may affect this time period are your ability to locate a site, secure financing, and obtain a lease or build a facility, as well as the extent to which an existing location must be upgraded or remodeled, the delivery schedule for equipment, product and supplies, and completing your training. The development schedule for multiple traditional BAD ASS COFFEE OF HAWAII Shops will be agreed to when we sign the Development Agreement.

Training Programs.

After signing your first Franchise Agreement, you and other owners (if any) and your Principal Manager (if known at that time) must attend a New Franchisee Orientation program at our Corporate Headquarters in Centennial, CO, within 90 days of signing the Franchise Agreement. The New Franchisee Orientation program includes 3 days of classroom style training, videos, reading materials, interactive learning and tours. You will pay the travel, living expenses and wages for you and your employees who attend the Orientation program.

Owners will also be required to attend a two-day "Owner Immersion" training. This immersion consists of two days interactive training and overviews in a Bad Ass Coffee of Hawaii Shop. This training may be added to the Franchise Orientation or be conducted as a stand-alone session. The Owner Immersion should be conducted within 6 months of signing a Franchise Agreement and be completed PRIOR to the Initial Training program.

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Before opening your Shop, you and your Principal Manager must attend and you or your Principal Manager(s) must complete, to our satisfaction, the Initial Training Program. We do not charge you for training up to three individuals, and you may request permission to send additional managers to the initial training program if there is space for additional people, after giving first priority to new franchisees. You will pay the travel, living expenses and wages for you and your employees who attend the training session. The training program may include reading materials or self-study completed in your home office, verbal instruction, videos, interactive learning or written materials as part of the classroom training, plus on-the-job training in a BAD ASS COFFEE OF HAWAII Shop. Overall, our initial training program consists of 2.5 days of classroom instruction in our Centennial, CO corporate headquarters and 8 days of on-the-job training at a Denver, CO area Shop or at another certified training location that we may designate. We may also offer training by webinar or other remote methods if circumstances warrant, in our discretion. You will attend initial training approximately 30-45 days before your Shop opens. Home study may be completed at your convenience between the time you sign the Franchise Agreement and the on-the-job training. We also recommend that you attend the opening of a new Shop, if scheduling permits.

If you are opening your first BAD ASS COFFEE OF HAWAII Shop, we provide up to five days of follow-up, on-site training and opening assistance at your Shop to you and your staff, at a mutually agreed upon time at or around opening, to assist you in the opening of your Shop. This opening assistance may be provided by one or more individuals on non-consecutive days. You or your Principal Manager must be on-site at your Shop for at least 10 days after the Shop opens and, if this is your first BAD ASS COFFEE OF HAWAII Shop, be present for all of the opening assistance provided by us.

As often as once annually, you and your Principal Manager(s) may be required to attend, at your expense, a national convention which may include mandatory training sessions. If you hire a new Principal Manager after your Shop opens, that person may be required to attend an initial training program and we will charge tuition of $2,500 for the training. You will also pay wages, travel and living expenses for your Principal Manager and all other managers while they attend training and retreats. We may also require you and your Principal Manager and other designated employees to attend, at your expense, national, local or regional seminars or meetings in person up to two times each calendar year. We may offer conventions, retreats and additional training sessions by webinar or other remote methods if circumstances warrant, in our discretion.

Our initial training program is supervised by Susan Sauer. Ms. Sauer has been working with us since June 2020 and before that, she worked in various senior operations & franchise training and support roles with The Wendy's Company for over 30 years. Our training supervisors coordinate and supervise various employees and third-party service providers who may also provide training. These employees and service providers are experienced in the matters about which they provide instruction. We conduct training on an as-needed basis.

We currently provide the following initial training to franchisees:

INITIAL TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Self-Study			
Pre-Opening Topics	2	0	Home Study / Conference Call
Real Estate – Location Approval	1	0	Conference Call
Franchisee Obligations	1	0	Conference Call

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SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Finance	1	0	Home Study
Coffee College	1	0	Home Study
Misc. Topics	3	0	Home Study / Conference Call
Orientation and Onboarding			
History and Vision	1	0	Centennial, CO
Policies & Procedures Overview	1	0	Centennial, CO
Bad Ass of Hawaii Corporate Services / Support • Marketing • Operations • Warehouse	10	0	Centennial, CO
College Coffee	3	0	Centennial, CO
Business Model / Finance	6	0	Centennial, CO
In-Store Training			
Positional Training • Barista • Customer Service • Bar Back • Bean Expert • Food	0	40	Location Varies
Marketing/Retail	0	3	Location Varies
Equipment	0	2	Location Varies
Recruiting/Staffing	0	1	Location Varies
Operating Systems	0	30	Location Varies
Train The Trainer	**0**	**6**	Location Varies
TOTAL:	**30**	**82**	

ITEM 12
TERRITORY

Development Agreement.

Under the terms of the Development Agreement, we grant to you the right to establish, according to a schedule, a minimum number of three BAD ASS COFFEE OF HAWAII Shops within a larger geographical territory ("**Development Area**"). A Development Area is usually defined by boundaries such as street boundaries, a city, county or state limits or by other reasonable boundaries. The number of BAD ASS COFFEE OF HAWAII Shops to be developed may be adjusted depending on demographics and other characteristics of a Development Area, including population density, income and other characteristics of the surrounding area, natural boundaries, extent of competition and whether the proposed Development Area is urban, suburban or rural in nature. We will approve the location of Shops and the Protected Territories for them using our then-current standards for locations and Protected Territories. Except for your right of first refusal to develop and operate locations in a Captive Audience Facility, as described below, you have no other option, right of first refusal or similar contractual right to acquire additional BAD ASS COFFEE OF HAWAII franchises within your Development Area or in contiguous areas.

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You may operate your Shop and use the Marks and the Licensed Methods only at the Franchised Location that has been accepted by us. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we or our affiliates own, or from other channels of distribution or competitive brands that we control.

You will be granted a protected territory which will consist of a geographic area around each of your Franchised Locations, within which we will not establish and operate, or franchise anyone else to establish and operate, other BAD ASS COFFEE OF HAWAII Shops, subject to our reservation of rights, described below. This geographic area ("**Protected Territory**") around your Shop will be defined by county lines, zip code boundaries, street boundaries, natural landmarks, or similar designations. There is no minimum area that will comprise your Protected Territory. The placement of a BAD ASS COFFEE OF HAWAII Shop and the designation of a Protected Territory by us depend on various market conditions around a proposed Franchised Location, including density of population, character of the neighborhood, pedestrian counts, number of competitors in the market, site availability, parking, ingress and egress, and growth potential.

You may advertise your BAD ASS COFFEE OF HAWAII Shop in any geographic area, and you may serve all customers who enter your Shop. You may not solicit or accept orders from customers outside your Protected Territory and you may not solicit orders through the Internet, mail order, catalogs, or ship products without our written consent. You shall not operate an independent Website for your Shop location. A Local Page Website for your location to advertise your store location, hours, online ordering, menu, etc. shall be provided for you by us on badasscoffee.com. You may not change the location of your Franchised Location or your Protected Territory without our prior written consent, which consent will not be unreasonably withheld. Except for your right of first refusal to develop and operate locations in Captive Audience Facilities, described below, and your rights under the Development Agreement, described below, you have no option, right of first refusal or similar contractual right to acquire additional BAD ASS COFFEE OF HAWAII franchises.

Except for our reservation of rights described below, we are restricted from establishing or franchising any other person or entity to establish BAD ASS COFFEE OF HAWAII Shops using the Marks and Licensed Methods within your Protected Territory or, if applicable, your Development Area for so long as the Franchise Agreement or, if applicable, Development Agreement, is in effect. The continuation of your rights to your Protected Territory is not dependent on your meeting any sales quota or similar requirement. The continuation of your right to your Development Area during the term of the Development Agreement is dependent on meeting the development schedule set forth in the Development Agreement. Failure to meet the development schedule may result in a reduction in the size of the Development Area, a reduction in the number of Shops to be developed, or a termination of the Development Agreement, following a cure period.

Under the Development Agreement, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Franchise Agreement - Non-Traditional Shops.

Under a Franchise Agreement for a single Non-Traditional Shop, you will not typically receive a Protected Territory if your Non-Traditional Shop is to be operated in a Trailer/Food Truck, Coffee Kiosk/Cart/Counter, or Captive Audience venue format. If you have signed a Franchise Agreement to operate a Drive-Thru Only kiosk, then you will be granted a Protected Territory for that Shop in the manner described in this Item 12.

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Once we have reviewed and approved the site at which your Non-Traditional Shop will be located, we will designate the approved premises in your Franchise Agreement, and you may only operate your Non-Traditional Shop at such premises. You will not otherwise receive any territorial protection in the geographic area around the premises of the Non-Traditional Shop.

Otherwise, there are no territorial or other restrictions on accepting business from individuals or entities that reside or work in other geographic areas.

If we have granted you the right to operate a Non-Traditional Shop in a Trailer, Food Truck, or Coffee Cart format (each a "Mobile Format Shop") within a particular municipality or other area, we reserve the right to license others the right to develop and open traditional Shops under a Development Agreement within your area of operations, and to grant a Development Area or a Protected Territory to such third party within your area of operations. If we do so, you may only continue to operate your Mobile Format Shop in such third party's Development Area or Protected Territory with the prior written consent of such third party.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Reserved Rights.

We retain the rights, among others:

(1) to use the Marks to identify any type of products and services, promotional and marketing efforts or related items, and to identify products and services distributed or otherwise made available through alternative channels of distribution (other than BAD ASS COFFEE OF HAWAII Shops), within your Protected Territory or, if applicable, your Development Area, including, but not limited to, at temporary events and venues, or by wholesale distribution, Internet marketing or distribution, by mail order, catalog sales, social media marketing, telemarketing or other direct marketing, or retail store display;

(2) to use and license others to use the Marks and Licensed Methods within your Protected Territory and, if applicable, the Development Area, in connection with the operation of Shops (and Non-Traditional Shops) within "**Captive Audience Facilities**" which are defined as facilities where people are gathering for a primary purpose unrelated to the Shop business, creating significant foot traffic in the facility, including airports and other transportation hubs, hospitals, college campuses, convention centers, grocery stores, department stores, "big box" specialty retail centers, resorts and hotels, office buildings, lifestyle centers, town centers, and regional shopping malls. We and our affiliates reserve the right under the Franchise Agreement and Development Agreement to contract with Captive Audience Facilities to develop and operate Shops within the facilities and, if the contract includes such a location within your Protected Territory or Development Area, as the case may be, we may, in our sole discretion, contact you and give you the opportunity to develop and operate the Shop within the Captive Audience Facility, on terms and conditions agreed to by us in the contract. You must respond within 30 days of being notified of any opportunity at a Captive Audience Facility whether you want to develop the location and you must comply with the terms of the contract we have negotiated. If you elect not to do so, we or one of our affiliates or another franchisee will have the right to develop the location and you will have no further rights pertaining to the location during the term of the contract. As of the date of this Disclosure Document, we do not have any Captive Audience Facilities under contract and we cannot guaranty that we will have any in the future in your Protected Territory or Development Area; and

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(3) to use and license the use of other proprietary marks or methods in connection with the sale of products and services similar to those which you sell, whether in alternative channels of distribution, including but not limited to, the Internet, or in connection with the operation of coffee businesses which are similar to, or different from BAD ASS COFFEE OF HAWAII Shops, within your Protected Territory or, if applicable, your Development Area, and on any terms and conditions as we determine. We have no present plans to establish other related franchises or company-owned businesses selling similar products or services under a different name or trademark, although, as just stated, we reserve the right to do so. We are not obligated to compensate you if we conduct business in or near your Protected Territory or Development Area.

ITEM 13
TRADEMARKS

We license to you the right to use the Marks, including the service mark "BAD ASS COFFEE OF HAWAII" and other trademarks, service marks and commercial symbols that we may authorize. We have registered the following trademarks on the Principal Register of the United States Patent and Trademark Office ("**USPTO**"):

Mark	Design	Registration Number	Date of Registration
BAD ASS COFFEE OF HAWAII	N/A	Reg. No. 4,584,047	8/12/2014
BAD ASS COFFEE OF HAWAII	N/A	Reg. No. 3,728,946	12/22/2015
BAD ASS COFFEE OF HAWAII	BAD ASS COFFEE OF HAWAII	Reg. No. 6,241,047	1/5/2021
BAD ASS COFFEE OF HAWAII	BAD ASS COFFEE OF HAWAII	Reg. No. 6,241,075	1/5/2021

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Mark	Design	Registration Number	Date of Registration
		Reg No. 6,717,260	5/3/2022
BAD ASS	N/A	Reg. No. 7,216,176	11/14/23
Royal Aloha Coffee Company		90080671	7/29/2020

The following are the Marks for which we have applied for registration from the USPTO:

Mark	Design	Serial Number	Application Filing Date	Status
ROYAL ALOHA COFFEE COMPANY		90080686	7/29/2020	Pending

All required affidavits of use and renewals of registration have been filed for the registered Marks.

You must modify or discontinue your use of the Marks if we require modification or discontinuance, at your own expense, without compensation from us.

There are no presently effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, any pending infringement, opposition or cancellation proceedings or material litigation involving the Marks. There are no agreements that limit our right to use or license the use of the Marks. We do not know of any infringing uses, potentially infringing uses or superior or prior rights that could materially affect your use of the Marks in any state.

We will protect you against claims of infringement or unfair competition, provided that you use the Marks in compliance with the terms of the Franchise Agreement. We pay all costs, including attorneys' fees and court costs, associated with any litigation we commence or defend on your behalf to protect the Marks and your right to use them. You must cooperate with us in any litigation. Any apparent infringement of or challenge to your use of any Mark should be brought to our attention immediately and you may not communicate with any person other than us or our counsel regarding any such matter. You may not settle any claim without our written consent. We have sole discretion to take any appropriate action. We have the right to control exclusively any litigation, United States Patent and Trademark Office proceeding or any other administrative proceeding arising out of any infringement, challenge or claim relating to any Mark.

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ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any copyright registrations or patents or pending patent applications which are material to the franchise. We consider our Operations Manual and related materials and training materials to be a part of our Licensed Methods and any software that we may in the future develop as our proprietary and confidential property. You may use the Operations Manual only as described in the Franchise Agreement. We require that you maintain the confidentiality of our proprietary information and adopt reasonable procedures to prevent unauthorized disclosure of our trade secrets and proprietary information. Although we have not obtained a copyright registration, we own the copyright in our Operations Manual, trade dress, coffee packaging and other works.

You must tell us immediately in writing if you learn about an infringement or challenge to our use of our copyrights. We have the right, in our sole discretion, to determine whether any action will be taken on account of any possible infringement or illegal use. We may commence or prosecute such action in our name and may join you as a party to the action. We shall bear the reasonable cost of any such action, including attorneys' fees. You must fully cooperate with us in any such litigation. Although we are not obligated to protect the copyrights or defend your use of the copyrighted items, we will reimburse you for damages and reasonable costs incurred in litigation about them, if your use of the copyrighted work was in compliance with the terms of the Franchise Agreement. At our option, we shall be entitled to control the defense of any action or proceeding involving any of these claims. You must modify or discontinue your use of the copyrights if we require modification or discontinuance, at your expense.

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

You are required to participate personally in the operation of your first BAD ASS COFFEE OF HAWAII Shop for at least the first 12 months, and to maintain an active role in business oversight of second and subsequent Shops, though you are not required to live in the Protected Territory or the Development Area, for your Shops. You will need to designate a manager ("**Principal Manager**") to be responsible for the direct on-premises supervision of each of your Shops at all times during their hours of operation. If you are a corporation, limited liability company or partnership, we do not require that your Principal Manager own an equity interest in the entity. You and, if applicable, the Principal Manager, must successfully complete our mandatory initial training program for a BAD ASS COFFEE OF HAWAII Shop and your other Shop managers must complete our initial training program. You and your managers must enter into a nondisclosure and noncompetition agreement with us (Exhibit I to this Disclosure Document) which restricts individuals and members of their immediate families, including spouses, children and any other relative living with them. We make no recommendations and have no requirements regarding employment or other written agreements between you and your employees.

Each of your officers, directors, shareholders, partners, members or owners (but not spouses), if an entity, may be required to sign an agreement (Exhibit II to Franchise Agreement) personally guaranteeing and agreeing to perform all obligations of the franchisee under the Franchise Agreement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may sell only those products and services approved by us and may not use the BAD ASS COFFEE OF HAWAII Shop or the Franchised Location for any purposes other than the operation of a BAD ASS COFFEE OF HAWAII Shop. You may take orders for products, drinks, and food items through

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approved online and mobile apps, but you may not operate an online eCommerce store or website. You may not sell products or services by mail order or through catalogs, or transship or reship products unless you have received our prior written approval. You may not fill "wholesale orders" for bulk coffee or coffee products & services except only through approved Local Commercial Programs offered by us and through local catering programs approved by us. Wholesale Orders are defined as products sold for the purpose of resale. Local Commercial Programs are limited to the sale of coffee and coffee related products only through systems and processes developed by us and do not include equipment leasing, sale or maintenance. We reserve the right to sell directly or through an affiliate, bulk coffee, coffee related products, cups and merchandise on the Internet, through approved Wholesale distributors, brokers, grocery, and hospitality companies. We also reserve the right to sell coffee products and merchandise using other brands on the Internet. You must sell a selection of the products and services approved by us, including retail items such as branded packaged coffee, coffee products, mugs, caps, T-shirts or similar merchandise. You must comply with our standards and specifications. All products and services you offer for sale at or through your Shop must be approved in writing by us. We have the right to change or supplement the authorized products and services, and there are no limits on our right to do so.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION
THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the agreement attached to this Disclosure Document.

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 18.1	10 years.
b. Renewal or extension of the term	Sections 18.2, 18.3 and 18.4	One successor term of 10 years.
c. Requirements for franchisee to renew or extend	Section 18.3	Remodel, pay fee, sign new agreement and release. You may be asked to sign a contract with materially different terms and conditions than your original contract if you choose to renew.
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Sections 19.1 and 19.2	We can terminate only if you commit any one of several listed violations.
g. "Cause" defined – curable defaults	Sections 19.1 and 19.2	30 days for operational defaults, 10 days for monetary defaults.
h. "Cause" defined – non-curable defaults	Section 19.1	Unauthorized disclosure, conviction of a crime, abandonment, unapproved transfers, bankruptcy, assignment for benefit of creditors, unsatisfied judgments, levy, foreclosure, repeated violations, misuse of Marks.

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Provision	Section in Franchise Agreement	Summary
i. Franchisee's obligations on termination/ nonrenewal	Section 19.4	Pay outstanding amounts, de-identification of the Shop, return of confidential information, covenant not to compete (see also r. below).
j. Assignment of contract by franchisor	Section 17.6	No restriction on our right to assign.
k. "Transfer" by franchisee – definition	Section 17.1	Includes transfer of Franchise Agreement or of the Shop or its assets or any change in ownership of franchisee entity.
l. Franchisor's approval of transfer by franchisee	Section 17.3	We have the right to approve all transfers, we may not unreasonably withhold our consent.
m. Conditions for franchisor approval of transfer	Section 17.2	Transferee qualifies, all amounts due are paid in full, transferee completes training, transfer fee paid, then current contract signed, franchisee signs general release and noncompetition covenant.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 17.4	We may match any offer.
o. Franchisor's option to purchase franchisee's business	Section 19.3	We may buy your BAD ASS COFFEE OF HAWAII Shop or a portion of the assets of the BAD ASS COFFEE OF HAWAII Shop upon termination or non-renewal of your Franchise Agreement.
p. Death or disability of franchisee	Section 17.7	Franchise must be assigned to approved assignee within 180 days. We may operate your Shop temporarily until a trained manager is hired and charge you fees related to our management of the Shop.
q. Non-competition covenants during the term of the franchise	Section 21.1	No involvement in competing business and no diversion.
r. Non-competition covenants after the franchise is terminated or expires	Section 21.2	No competing business for 2 years within 25 miles of your BAD ASS COFFEE OF HAWAII Shop or any other BAD ASS COFFEE OF HAWAII Shop.
s. Modification of the agreement	Section 23.1	No modifications generally but Operations Manual subject to change.
t. Integration/merger clause	Section 23.2	Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. Nothing in any agreement is intended to disclaim the express representations made in this Disclosure Document, its exhibits and amendments.

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Provision	Section in Franchise Agreement	Summary
u. Dispute resolution by arbitration or mediation	Section 23.4	Non-binding mediation in Colorado.
v. Choice of forum	Section 23.4	Litigation in Colorado (subject to state law).
w. Choice of law	Section 23.4	Colorado law applies (subject to state law).

THE DEVELOPER RELATIONSHIP

This table lists certain important provisions of the Development Agreement. You should read these provisions in the agreement attached to this Disclosure Document.

Provision	Section in Development Agreement	Summary
a. Length of the franchise term (Development Agreement)	Section 3.1	Varies based on development schedule.
b. Renewal or extension of the term	Not Applicable	Not Applicable
c. Requirements for franchisee to renew or extend	Not Applicable	Not Applicable
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Section 9.1	We can terminate if you default on the Development Agreement or any of your Franchise Agreements.
g. "Cause" defined – curable defaults	Section 9.2	30 days' notice of breach of Development Agreement or Franchise Agreement.
h. "Cause" defined – non-curable defaults	Section 9.1	Material misrepresentation, failure to meet development schedule, conviction of a crime, failure to pay amounts due to Franchisor, unapproved transfers, misuse of Marks, death or disability of Developer, unauthorized disclosure, noncompliance with restrictive covenants, terrorist activities, bankruptcy, assignment for benefit of creditors, default under Franchise Agreement or other agreements, notice of termination of Franchise Agreement delivered to Developer by Franchisor or Developer terminates a Franchise Agreement without cause.
i. Franchisee's obligations on termination/ nonrenewal	Section 9.3	Loss of development rights, cease use of Marks and confidential information except in connection with Shops currently operating; covenant not to compete.

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Provision	Section in Development Agreement	Summary
j. Assignment of contract by franchisor	Section 8.6	No restriction on our right to assign.
k. "Transfer" by franchisee – definition	Sections 8.1	No right to transfer other than due to death or disability.
l. Franchisor's approval of transfer by franchisee	Section 8.3	Transferee must meet franchisor's then-current criteria.
m. Conditions for franchisor approval of transfer	Sections 8.2	Must be within reasonable time after death or disability and will be considered only if by will or inheritance or by request of legal agent or legal representative.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 8.4	We can match any offer.
o. Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
p. Death or disability of franchisee	Section 8.7	Interest in Development Agreement must be assigned to approved assignee within 12 months of death and within 6 months of disability.
q. Non-competition covenants during the term of the franchise	Section 11.1	No involvement in competing business and no diversion.
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable
s. Modification of the agreement	Section 13.1	No modification except on execution of a written agreement.
t. Integration/merger clause	Section 13.2	Only the terms of the development agreement and all valid Franchise Agreements are binding (subject to state law). Any representations or promises outside of the disclosure document, the Franchise Agreements, and development agreement may not be enforceable. Nothing in any agreement is intended to disclaim the express representations made in this Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	Section 13.4	Non-binding mediation in Colorado.
v. Choice of forum	Section 13.4	Litigation in Colorado (subject to state law).
w. Choice of law	Section 13.4	Colorado (subject to state law).

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ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote our franchise.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

As of December 31, 2025, there were 36 Traditional franchised BAD ASS COFFEE OF HAWAII Shops operating in the United States, all of which were owned by franchisees. Table A below presents historic results of operations of 26 Traditional BAD ASS COFFEE OF HAWAII franchised Shops that were open and reported sales for each of the 12 months ending December 31, 2025 (the "Measurement Period"). Table A excludes ten (10) new Traditional franchised locations that opened in 2025 during the Measurement Period.

Some outlets sold these amounts. Your individual results may differ. There is no assurance that you will sell as much.

Table A:
Average Net Sales of Franchised Traditional Shops, and Associated Data, as Reported by the Franchised Traditional Shops for the Measurement Period

(1/1/2025 – 12/31/2025)

Net Sales[1]	Net Sales of Reported Franchised Traditional Shops
Average Net Sales[2]	$782,438
Median Net Sales	$686,595
Highest Shop Net Sales	$1,834,733
Top 5 Shops - Average Net Sales	$1,456,314
Top 10 Shops - Average Net Sales	$1,183,989
Bottom 10 Shops - Average Net Sales	$441,648
Bottom 5 Shops - Average Net Sales	$355,953
Lowest Shop Net Sales	$311,031

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(1) *"Net Sales" means the total revenue received by the Shop from the sale of goods and services including sales made away from the Shop, less taxes, discounts, refunds, tips, allowances and returns.*

(2) *11 of the 26 Shops (42%) exceeded the Average Net Sales set forth above.*

(*Remainder of Page Intentionally Left Blank. Item 19 Continues Below*)

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As of December 31, 2025, there were six (6) franchised Non-Traditional BAD ASS COFFEE OF HAWAII Shops operating in the United States, all of which were owned by franchisees. Table B below presents historic results of operations of three (3) Franchised Non-Traditional BAD ASS COFFEE OF HAWAII Shops that were open and reported sales for each of the 12 months ending December 31, 2025 (the "Measurement Period"). One (1) franchised shop is a drive-thru only location, one (1) is a kiosk within a travel center, and one (1) is a captive audience kiosk that operates in the lobby of a salon suites business. Table B excludes three (3) new franchised Non-Traditional locations that opened in 2025 during the Measurement Period. Non-Traditional Shops generally include Trailers/Food Trucks, Coffee Kiosks/Carts/Counters, Drive-Thru Only locations, and Captive Audience Shops inside venues such as airports, sporting arenas, grocery stores, and shopping malls.

Some outlets sold these amounts. Your individual results may differ. There is no assurance that you will sell as much.

Table B:
Average Net Sales of Franchised Non-Traditional Shops, and Associated Data, as Reported by the Franchised Non-Traditional Shops for the Measurement Period

(1/1/2025 – 12/31/2025)

Net Sales[1]	Net Sales of Reported Franchised Non-Traditional Shops
Average Net Sales	$313,365
Median Net Sales	$256,650
Highest Shop Net Sales	$522,910
Lowest Shop Net Sales	$160,535

(1) *"Net Sales" means the total revenue received by the Shop from the sale of goods and services including sales made away from the Shop, less taxes, discounts, refunds, tips, allowances and returns.*

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

The information used to prepare the above tables was derived from the financial statements generated by our franchisees and reported to us.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Scott Snyder, Royal Aloha Franchise Company, LLC, 7347 South Revere Parkway, Building A, Suite A, Centennial, Colorado 80112, 888-422-3277, the Federal Trade Commission and the appropriate state regulatory agencies.

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ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2023 TO 2025

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2023	25	30	+5
	2024	30	32	+2
	2025	32	42	+10
Company-Owned	2023	2	2	0
	2024	2	1	-1
	2025	1	0	-1
Total Outlets	**2023**	**27**	**32**	**+5**
	2024	**32**	**33**	**+1**
	2025	**33**	**42**	**+9**

TABLE 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN FRANCHISOR)
FOR YEARS 2023 TO 2025[(1)]

State	Year	Number of Transfers
Alabama	2023	0
	2024	0
	2025	1
Arizona	2023	1
	2024	0
	2025	0
Colorado	2023	1
	2024	0
	2025	0
Florida	2023	0
	2024	0
	2025	2
Tennessee	2023	0
	2024	2
	2025	0
Totals	**2023**	**2**
	2024	**2**
	2025	**3**

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TABLE 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS 2023 TO 2025[1]

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operation for other Reasons	Outlets at End of Year
Alabama	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Arizona	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	1*	0	0	0	0	3
California	2023	6	0	0	0	0	0	6
	2024	6	0	0	0	0	0	6
	2025	6	0	1	0	0	0	5
Colorado	2023	2	1	0	0	0	0	3
	2024	3	1	0	0	0	0	4
	2025	4	3	0	0	0	1	6
Florida	2023	4	3	0	0	0	0	7
	2024	7	0	0	0	0	0	7
	2025	7*	6*	0	0	0	2	11
Hawaii[2]	2023	2	0	0	0	0	1	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Kentucky	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	1*	0	0	0	1	2
Minnesota	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	1	0
	2025	0	0	0	0	0	0	0
Nevada	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1*	1*	0	0	0	0	2
New Jersey	2023	1	0	0	0	0	0	1

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State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operation for other Reasons	Outlets at End of Year
	2024	0	0	0	0	0	0	0
	2025	0	2	0	0	0	1	1
New Mexico	2023	1	0	0	1	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
South Carolina	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	1	0	0	0	0	1
Tennessee	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	1	1
Texas	2023	0	1	0	0	0	0	1
	2024	1	2	0	0	0	0	3
	2025	3	1	0	0	0	0	4
Utah	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Virginia	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	1	0	0	0	0	3
TOTALS	**2023**	**25**	**7**	**0**	**1**	**0**	**1**	**30**
	2024	**30**	**3**	**0**	**0**	**0**	**1**	**32**
	2025	**32**	**17**	**1**	**0**	**0**	**6**	**42**

(1) This table includes franchises that are open and located in the United States or its territories.

(2) Our two Hawaii locations temporarily closed due to the fire in Lahaina, Hawaii in August 2023. One of the locations re-opened in November 2023 and the other intends to re-open once it is able to do so.

* Denotes a Non-Traditional Franchised location.

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TABLE 4

STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2023 TO 2025[1]

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
New Mexico	2023	2	0	0	0	0	2
	2024	2	0	0	1	0	1
	2025	1	0	0	1	0	0
Totals	**2023**	**2**	**0**	**0**	**0**	**0**	**2**
	2024	**2**	**0**	**0**	**1**	**0**	**1**
	2025	**1**	**0**	**0**	**1**	**0**	**0**

(1) The company outlets described above represent test and/or training concepts and are not similar to the franchises offered under this Franchise Disclosure Document.

TABLE 5
PROJECTED OPENINGS
AS OF DECEMBER 31, 2025

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Alabama	1	1	0
Arizona	1	0	0
California	0	0	0
Colorado	0	2	0
Florida	4	4	0
Hawaii	0	1	0
Kentucky	1	1	0
Nevada	3	3	0
New Jersey	1	2	0
South Carolina	2	2	0
Tennessee	1	1	0
Texas	2	2	0
Virginia	0	1	0
Wisconsin	2	1	0
TOTALS	**18**	**21**	**0**

A list of names of all franchisees and the addresses and telephone numbers of their BAD ASS COFFEE OF HAWAII Shops are in the list attached as Exhibit E to this Disclosure Document. The name, city, state and current business telephone number of all franchisees who have had a franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise

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Agreement during fiscal year 2025 or who has not communicated with us within 10 weeks of the date of this Disclosure Document is listed on Exhibit F to this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees but be aware that not all of those franchisees will be able to communicate with you.

ITEM 21
FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit G are our Consolidated Financial Statements as of December 31, 2025, December 31, 2024, and December 31, 2023; our fiscal year end is December 31.

ITEM 22

CONTRACTS

Attached to this Disclosure Document are the following franchise-related contracts:

Exhibit B	Franchise Agreement
Exhibit C	Development Agreement
Exhibit D	Amendment to Franchise Agreement (Renewal)
Exhibit I	Nondisclosure and Noncompetition Agreement
Exhibit K	General Release
Exhibit L	Addendum to Lease Agreement
Exhibit M	Closing Acknowledgment

ITEM 23

RECEIPT

The last page of this Disclosure Document (following the exhibits and attachments) is a document acknowledging receipt of this Disclosure Document by you (one copy for you and one copy to be signed and returned to us).

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EXHIBIT A

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

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STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	California Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013 213-576-7505 Toll-free 1-866-275-2677	California Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles 90013-2344 (213) 576-7505 1-866-275-2677
CONNECTICUT	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 860-240-8230	Connecticut Banking Commissioner Same Address
FLORIDA	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 850-245-6000	Same
GEORGIA	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 404-656-3790	Same
HAWAII	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2722	Commissioner of Securities of the State of Hawaii Dept. of Commerce and Consumer Affairs Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
ILLINOIS	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465	Illinois Attorney General Same Address
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317-232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
IOWA	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 515-281-4441	Same
KENTUCKY	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 502-696-5389	Same

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STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
LOUISIANA	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 504-342-7013 (gen. info.) 504-342-7900	Same
MAINE	Department of Business Regulations State House - Station 35 Augusta, ME 04333 207-298-3671	Same
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6360	Maryland Securities Commissioner Same Address
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 525 W. Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, MI 48913 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 651-539-1500	Minnesota Commissioner of Commerce Same Address
NEBRASKA	Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, NE 68508-2732 P.O. Box 95006 Lincoln, Nebraska 68509-5006 Tele: 402-471-2171	Same
NEW HAMPSHIRE	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 603-271-3641	Same
NEW YORK	Bureau of Investor Protection and Securities New York State Department of Law 28 Liberty Street, 21st Floor New York, NY 10005 212-416-8222	Secretary of State of New York 99 Washington Avenue Albany, New York 12231
NORTH CAROLINA	Secretary of State's Office/Securities Division 2 South Salisbury Street Raleigh, NC 27601 919-733-3924	Secretary of State Secretary of State's Office Same Address
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, 14th Floor, Dept. 414 Bismarck, ND 58505-0510 701-328-4712; Fax: 701-328-0140	North Dakota Securities Commissioner Same Address

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STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
OHIO	Attorney General Consumer Fraud & Crime Section State Office Tower 30 East Broad Street, 15th Floor Columbus, OH 43215 614-466-8831 or 800-282-0515	Same
OKLAHOMA	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 405-521-2451	Same
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 503-378-4387	Director Department of Insurance and Finance Same Address
RHODE ISLAND	Rhode Island Department of Business Regulation 1511 Pontiac Avenue, Building 68-2 Cranston, RI 02920 401-222-3048	Director, Rhode Island Department of Business Regulation Same address
SOUTH CAROLINA	Secretary of State P.O. Box 11350 Columbia, SC 29211 803-734-2166	Same
SOUTH DAKOTA	South Dakota Department of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid Avenue, Suite 104 Pierre, SD 57501 605-773-3563	Director of the South Dakota Division of Insurance, Securities Regulation Same Address
TEXAS	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 512-475-1769	Same
UTAH	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 TELE: 801-530-6601 FAX: 801-530-6001	Same
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9th Floor 1300 E. Main Street Richmond, VA 23219 804-371-9051	Clerk of the State Corporation Commission Tyler Building, 1st Floor 1300 E. Main Street Richmond, VA 23219 804-371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507 (360) 902-8760	Director, Dept. of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501

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STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
WISCONSIN	Wisconsin Dept. of Financial Institutions Division of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703 608-266-8557	Wisconsin Commissioner of Securities Same Address

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EXHIBIT B

FRANCHISE AGREEMENT

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EXHIBIT B
(TO DISCLOSURE DOCUMENT)

ROYAL ALOHA FRANCHISE COMPANY, LLC

FRANCHISE AGREEMENT

Franchisee:_____
Date:_____
Franchised Location:_____

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EXHIBITS

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II. Guaranty and Assumption of Franchisee's Obligations
III. Statement of Ownership
IV. Electronic Funds Transfer Authorization
V. Permit, License and Construction Certification

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ROYAL ALOHA FRANCHISE COMPANY, LLC
FRANCHISE AGREEMENT

THIS AGREEMENT (the "**Agreement**") is made this date, _____, 20__, by and between Royal Aloha Franchise Company, LLC, a Colorado limited liability company, located at 7347 South Revere Parkway, Building A, Suite A, Centennial, Colorado 80112 (the "**Franchisor**") and _____ located at _____ (the "**Franchisee**"), who, on the basis of the following understandings and agreements, agree as follows:

1. PURPOSE

The Franchisor has developed methods for establishing and operating franchises for the operation of coffee shops that specialize in Hawaiian coffee beverages and featuring a nostalgic Hawaiian decor ("**BAD ASS COFFEE OF HAWAII Shops**" or "**Shops**") which use the service mark "**BAD ASS COFFEE OF HAWAII**" and related service marks, trade names and trademarks ("**Marks**") and the Franchisor's proprietary methods of doing business ("**Licensed Methods**").

The Franchisor grants the right to others to develop and operate BAD ASS COFFEE OF HAWAII Shops, under the Marks and pursuant to the Licensed Methods.

The Franchisor also grants the right to qualified third parties to develop, open and operate a single or multiple non-traditional BAD ASS COFFEE OF HAWAII Shop(s) (each a "Non-Traditional Shop") under the Marks and pursuant to the Licensed Methods. Non-Traditional Shops may be operated in several formats, including mobile trailers and food trucks, coffee kiosks/carts/counters, Drive-Thru Only kiosks, and "captive audience" locations inside venues such as airports, sporting arenas, grocery stores, and shopping malls. For purposes of this Agreement, all references in this Agreement to a "Shop" or a "BAD ASS COFFEE OF HAWAII Shop" shall include a Non-Traditional Shop, unless otherwise specified.

The Franchisee desires to establish a BAD ASS COFFEE OF HAWAII Shop at a location identified herein or to be later identified, and the Franchisor desires to grant the Franchisee the right to operate a BAD ASS COFFEE OF HAWAII Shop at such location under the terms and conditions which are contained in this Agreement.

2. GRANT OF FRANCHISE

2.1 **Grant of Franchise**. The Franchisor grants to the Franchisee, and the Franchisee accepts from the Franchisor, the right to use the Marks and Licensed Methods in connection with the establishment and operation of one BAD ASS COFFEE OF HAWAII Shop, at the Franchised Location defined in Section 3.1 of this Agreement. The Franchisee agrees to use the Marks and Licensed Methods, as they may be changed, improved, and further developed by the Franchisor from time to time, only in accordance with the terms and conditions of this Agreement.

2.2 **Scope of Franchise Operations**. The Franchisee shall at all times comply with the Franchisee's obligations hereunder and shall continuously use best efforts to promote and operate the BAD ASS COFFEE OF HAWAII Shop. The Franchisee shall not engage in any business other than the operation of the Shop at the Franchised Location defined in Section 3.1 below. The Franchisee shall utilize the Marks and Licensed Methods to operate all aspects of the business franchised hereunder in accordance with the methods and systems developed and prescribed from time to time by the Franchisor, all of which are a part of the Licensed Methods. The Franchisee's BAD ASS COFFEE OF HAWAII Shop shall offer all services

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and products as the Franchisor shall designate. The Franchisee shall be restricted from offering or selling any services or products not previously approved by the Franchisor in writing and shall further be restricted from offering the authorized services or distributing the authorized products for non-retail or off-site sale except as permitted by the Franchisor in writing.

3. FRANCHISED LOCATION AND TERRITORIAL RIGHTS

3.1 Franchised Location. The Franchisee is granted the right and franchise to own and operate a BAD ASS COFFEE OF HAWAII Shop at the address and location which shall be set forth in Exhibit I, attached hereto ("**Franchised Location**"). Franchisee shall promptly take steps to choose and acquire a location for its BAD ASS COFFEE OF HAWAII Shop within the "**Designated Area**," set forth in Exhibit I. The Franchisee shall select and propose to the Franchisor for the Franchisor's prior approval a specific location for the Franchised Location which, once accepted by the Franchisor, shall then be described in the rider to Exhibit I.

3.2 Protected Territory. Subject to the Franchisor's reservation of rights described in Section 3.4 below, the Franchisor shall not establish and operate, or franchise another person or entity to establish and operate, a BAD ASS COFFEE OF HAWAII Shop within the geographic area described in Exhibit I, attached hereto (the "**Protected Territory**"). Franchisee agrees and acknowledges that Franchisee will not be granted a Protected Territory in connection with the operation of a Non-Traditional Shop operated in a mobile trailer, food truck, and/or coffee cart format (each a "Mobile Format Shop"), and that Franchisee may operate a Mobile Format Shop only in those geographic areas in which Franchisor has provided prior written consent.

3.3 Limitation on Franchise Rights. The rights that are granted to the Franchisee are for the specific Franchised Location and protected territory around that Franchised Location and cannot be transferred to an alternative Franchised Location, or extended outside of the protected territory, or any other location, without the prior written approval of the Franchisor, which approval shall not be unreasonably withheld. The Franchisee shall not operate another business, offer services or products which are part of the Licensed Methods at any site other than the Franchised Location, fill Wholesale Orders, as defined in Section 10.1.d below, sell products or services by mail order or through catalogs or the Internet, transship or reship products, or offer any other type of off-site service or sale of products without the prior written approval of the Franchisor. This limitation on Franchise Rights extends to the use of mobile trailers, vans and food trucks operated by the Franchisee as defined in Section 10.1.k. In the event that the Franchisee operates a Mobile Format Shop pursuant to this Agreement, then the Franchisee agrees and acknowledges that, during the Term of this Agreement, the Franchisor may grant to a third party the right to develop and open traditional Shops under a Development Agreement within the Franchisee's area of operations, and to grant a Development Area or a Protected Territory to such third party within the Franchisee's area of operations. In the event the Franchisor grants a Development Area and/or Protected Territory to a third party within a geographic area in which the Franchisee is operating a Mobile Format Shop during the Term of this Agreement, then the Franchisee may only continue to operate such Mobile Format Shop in such third party's Development Area or Protected Territory with such third party's prior written consent.

3.4 Franchisor's Reservation of Rights. The Franchisee acknowledges that its franchise rights as granted are non-exclusive and that the Franchisor, for itself and its successors and affiliates, retains the rights, among others, and without compensation to the Franchisee:

a. to use, and to license others to use, the Marks and Licensed Methods in connection with the operation of BAD ASS COFFEE OF HAWAII Shops, at any location except within the Protected Territory;

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b. to use the Marks to identify any type of products and services, promotional and marketing efforts or related items, and to identify products and services distributed or otherwise made available through alternative channels of distribution other than through BAD ASS COFFEE OF HAWAII Shops, at any location, whether within or outside of the Protected Territory, including but not limited to, at temporary events and venues or by way of wholesale distribution, Internet marketing or distribution, by mail order, catalog sales, social media marketing, telemarketing, other direct marketing or retail store product display;

c. to use and license others to use the Marks and Licensed Methods within or outside the Protected Territory in connection with the operation of Shops within "**Captive Audience Facilities**" which are defined as facilities where people are gathering for a primary purpose unrelated to the Shop business, creating significant foot traffic in the facility, including airports and other transportation hubs, hospitals, college campuses, convention centers, grocery stores, department stores, resorts and hotels, office buildings, lifestyle centers, town centers, "big box" specialty retail centers and regional shopping malls. The Franchisor and its affiliates reserve the right to contract with Captive Audience Facilities to develop and operate Shops within these facilities and, if the contract includes such a location within the Franchisee's Protected Territory, the Franchisor may, in its sole discretion, notify the Franchisee of the opportunity to develop and operate the proposed Shop within the Captive Audience Facility, on the terms and conditions negotiated by the Franchisor in the contract. The Franchisee agrees to respond to the Franchisor within 30 days of receipt of notice of the proposed Shop, whether the Franchisee wishes to develop the proposed Shop under the terms of the contract that the Franchisor has negotiated. If the Franchisee elects not to develop the proposed Shop, the Franchisor, one of its affiliates, or another franchisee may be granted the right to develop the proposed Shop and the Franchisee agrees that in such case, the Franchisee will not have any further rights to the proposed Shop or the location of the proposed Shop during the term of the contract between the Franchisor and the Captive Audience Facility; and

d. to use and license the use of other proprietary marks or methods in connection with the sale of products and services similar to those which the Franchisee will sell, whether in alternative channels of distribution, including but not limited to, the Internet, or in connection with the operation of coffee businesses, at any location, whether within or outside of the Protected Territory, which businesses are similar to, or different from BAD ASS COFFEE OF HAWAII Shops, on any terms and conditions as the Franchisor deems advisable.

4. INITIAL FEES

4.1 **Initial Franchise Fee**. In consideration for the right to develop and operate one BAD ASS COFFEE OF HAWAII Shop, the Franchisee shall pay to the Franchisor an initial franchise fee in an amount set forth in Exhibit I, due and payable on the date of execution of this Agreement. In the event that the Fanchisee has executed a lease for or purchased the Franchised Location governed by this Agreement, the Franchisee must sign this Agreement and pay the initial franchise fee no later than three business days after the execution of the lease or purchase. The Franchisee acknowledges that the initial franchise fee represents payment for the initial grant of the rights to use the Marks and Licensed Methods, that the Franchisor has earned the initial franchise fee upon receipt thereof and that the fee is under no circumstances refundable to the Franchisee after it is paid, unless otherwise specifically set forth in this Agreement.

4.2 **Shop Opening Assistance Fee.** Upon execution of this Agreement, Franchisee shall pay to Franchisor a fee in the amount of $7,500 in connection with Franchisor's provision of certain pre-opening assistance, including Franchisor's assistance of Franchisee in finding, developing, and opening the Shop (the "Shop Opening Assistance Fee"). For Non-Traditional Shops, the Shop Opening Assistance Fee is

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between $5,000 to $7,500, as designated by the Franchisor depending upon the format of such Non-Traditional Shop. The Shop Opening Assistance Fee is deemed fully earned when paid and is not refundable under any circumstances.

5. DEVELOPMENT OF FRANCHISED LOCATION

5.1 **Approval of Franchised Location**. Within 6 months after the date of execution of this Agreement, the Franchisee shall locate a Franchised Location which is suitable for the operation of the BAD ASS COFFEE OF HAWAII Shop, and have it approved by the Franchisor. If the Franchisee has made reasonable and continuing efforts to locate a Franchised Location, but site availability considerations beyond the control of the Franchisee prevent the selection of a suitable site, the Franchisor will extend the deadline to select a Franchised Location for a reasonable time if the Franchisee requests, in writing, an extension of the time to have the Franchised Location selected before such selection period lapses. The Franchisee shall follow the Franchisor's site selection procedures in locating a Franchised Location for the BAD ASS COFFEE OF HAWAII Shop, including using the Franchisor's designated site selection service provider/broker representative, to assist the Franchisee in finding a qualified Franchised Location. The Franchisee shall seek the Franchisor's approval of any site proposed as a Franchised Location, by submitting a complete site submittal package, including demographics and other materials requested by the Franchisor, containing all information reasonably required by the Franchisor to assess a proposed Franchised Location. If such demographic and site viability reports are not available, the Franchisee will be required to provide such reports through the Franchisor's preferred site data provider at the Franchisees expense. The Franchisor will not unreasonably withhold approval of a proposed site that meets all of the Franchisor's site selection criteria. The Franchisee acknowledges and agrees that the Franchisor's approval of a site and any information provided by the Franchisor regarding the site does not constitute a representation or warranty of any kind, express or implied, as to the suitability of the site for a BAD ASS COFFEE OF HAWAII Shop. If the Franchisor must disapprove of any site proposed by the Franchisee, the Franchisor will grant the Franchisee an additional, reasonable period of time to obtain approval of a Franchised Location, as may be determined in the Franchisor's reasonable business judgment.

5.2 **Approval of Site Acquisition or Lease**. The Franchisee shall obtain the Franchisor's prior written approval before executing any lease, including all lease amendments, for the Franchised Location within 8 months after the date of execution of this agreement. If the Franchisee is purchasing real property for the Franchised Location, the Franchisee shall obtain the Franchisor's prior written approval of the purchase agreement before it is signed. The basis for Franchisor's review of the lease for the Franchised Location shall ensure that the lease contains provisions set forth in detail in the Operations Manual, which may include the following: (1) providing for an initial term, or an initial term together with any renewal terms (for which rent must be specified in the lease) of at least 10 years; (2) expressing the landlord's consent to the Franchisee's use of the Marks and all required signage for the Shop; (3) giving the Franchisor the right to enter the premises and make any modification necessary to protect the Marks and the Licensed Methods; (4) allowing the Franchisor, or its designee, to have the option to assume the lease and the right following such assumption to assign the lease or sublet the leased premises to another BAD ASS COFFEE OF HAWAII franchisee for all or any part of the lease term without further landlord consent if the Franchisee defaults under the lease or this Agreement or if this Agreement terminates or expires; (5) requiring the landlord to give the Franchisor written notice of any defaults by the Franchisee under such lease and the right to cure any such defaults; and (6) the lease shall also contain restrictive use clauses which are acceptable to the Franchisor. The Franchisor reserves the right to require the Franchisee to use the Franchisor's standard form of lease instead of adding the required provisions to the landlord's form of lease, in the Franchisor's sole discretion. The Franchisee agrees that lease shall be collaterally assigned to the Franchisor as security for the Franchisee's timely performance of all obligations under this Agreement and under the lease, and the Franchisee shall obtain the landlord's consent to such collateral assignment using the Franchisor's form of collateral assignment. In addition, the Franchisee shall obtain the landlord's

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consent to the terms of the Franchisor's standard form of lease addendum or incorporate the Franchisor's required terms into the lease or obtain the landlord's consent to the terms of the Franchisor's standard form of lease, whichever is applicable. The Franchisee acknowledges that the Franchisor's approval of a lease or purchase agreement for the Franchised Location does not constitute a recommendation, endorsement or guarantee by the Franchisor of the suitability or profitability of the location, the lease, terms and conditions set forth in the lease, lease amendments or purchase agreement. The Franchisee should take all steps necessary to ascertain whether the location, lease, lease amendments or purchase agreement is acceptable to the Franchisee. The Franchisor's review and approval of the lease or purchase agreement shall be for the Franchisor's benefit only and the Franchisee should not rely on such review and approval for any purpose whatsoever. The Franchisee shall sign a lease for the Franchised Location within 12 months after the date of this Agreement and shall deliver a copy of the signed lease, including all lease amendments, to the Franchisor within 15 days of its execution.

5.3 Construction, Conversion and Design. The Franchisee acknowledges that the improvements, layout, fixtures, design, decoration and color scheme of BAD ASS COFFEE OF HAWAII Shops are an integral part of the Franchisor's proprietary Licensed Methods and accordingly, the Franchisee shall construct, convert, improve, design and decorate the Franchised Location in accordance with the Franchisor's plans and specifications and with the assistance of contractors, architects and suppliers designated by or otherwise approved by the Franchisor. The Franchisor reserves the right, based on the Franchisees prior construction experience, to require the Franchisee to use and compensate a designated construction project manager to manage all phases of the construction project including, but not limited to, planning, permitting, contractor vetting, contractor and supplier coordination, scheduling, communicating with the landlord, inspections and other things to meet the Franchisor's specifications for the project. The Franchisor reserves the right to specify a minimum number of tables and chairs at a Franchised Location, among other things. The Franchisee shall obtain the Franchisor's written consent to any conversion, improvements, design or decoration of the premises before construction, remodeling or decorating begins, recognizing that any related costs are the Franchisee's sole responsibility. Written consent shall mean that the Franchisee has received from the Franchisor an executed construction approval form before construction, remodeling or decorating begins. It shall be the Franchisee's responsibility to work with the designated construction project manager to prepare all required site plans, blueprints and construction plans and specifications to suit the shape and dimensions of the Franchised Location and to ensure compliance with any lease and applicable laws, including without limitation, the Americans with Disabilities Act, as amended.

5.4 Signs. The Franchisee shall purchase or otherwise obtain for use at the Franchised Location and in connection with the BAD ASS COFFEE OF HAWAII Shop, signs which comply with the standards and specifications of the Franchisor as set forth in the Operations Manual and Brand Standards Guide, as that term is defined in Section 8.1. The Franchisee shall obtain such signs from the Franchisor's designated sign vendor., It is the Franchisee's sole responsibility to ensure that any signs comply with applicable local ordinances, mall regulations, building codes and zoning regulations. Any modifications to the Franchisor's standards and specifications for signs which must be made due to local ordinances, codes or regulations shall be submitted to the Franchisor for prior written approval. The Franchisee acknowledges that the Marks, or any other name, symbol or identifying marks on any signs shall only be used in accordance with the Franchisor's standards and specifications and only with the prior written approval of the Franchisor.

5.5 Equipment and Inventory. The Franchisee shall purchase, with the assistance of a required equipment consolidator supplier designated by the Franchisor for use or sale at the Franchised Location and in connection with the BAD ASS COFFEE OF HAWAII Shop equipment, inventory, other products and services of a type and in an amount, which complies with the standards and specifications of the Franchisor. The Franchisee acknowledges that the type, quality, configuration, capability and performance of the equipment, inventory and other products and services used or offered through the BAD ASS COFFEE OF

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HAWAII Shop are all standards and specifications which are a part of the Licensed Methods and therefore such equipment, inventory, products, other items and services must be purchased, leased or otherwise obtained in accordance with the Franchisor's standards and specifications. The Franchisee shall, during the term of this Agreement, maintain a sufficient inventory of BAD ASS COFFEE OF HAWAII bulk coffee, drink blends, packaged coffee and merchandise to meet customer demands for the drinks, packaged coffee and merchandise offered for retail sale and comply with the Franchisor's standards and specifications related to inventory as set forth in the Operations Manual from time to time. The Franchisee acknowledges and agrees that it may be required to purchase BAD ASS COFFEE OF HAWAII products, including bulk coffee, drink blends, packaged coffee and merchandise, exclusively from the Franchisor, its affiliates or suppliers or other sources designated or approved by the Franchisor.

5.6 Point-of-Sale and Online Ordering System and Computers; Technology Fee. The Franchisee shall equip the Shop with a point-of-sale system, computer hardware, back-office management software and other designated equipment and software as specified by the Franchisor. The Franchisee shall purchase, install and utilize in its Shop the point-of-sale system, back-office software and other software which must be obtained from the Franchisor, its affiliates or designated or approved suppliers in accordance with the Franchisor's standards and specifications. The Franchisor reserves the right to require the Franchisee to purchase new and upgraded computer hardware components and software upon 30 days prior written notice. The Franchisee shall enter into a maintenance agreement with a designated or approved third party supplier, the fees for which may be collected by the Franchisor or its affiliate on behalf of a third party or paid directly to the designated supplier. The Franchisee shall be responsible for all maintenance and upgrade costs associated with the computer hardware, the point-of-sale system and the software. The Franchisee shall pay a monthly fee ("**Technology Fee**") in the amount set forth on Exhibit I attached hereto, to the Franchisor for in-Shop music, online ordering/loyalty/gift card software, social marketing tools and to facilitate the Franchisor's access to information from the Franchisee's point-of-sale system. The Technology Fee will be payable bi-monthly in two equal installments at the same time and with the same late fees and penalties as the Royalty, as described in Section 12.3 below. The Franchisor reserves the right to increase the amount of the Technology Fee upon 30 days' notice to cover price increases from any vendors and to incorporate additional services or software into the technology covered by the Technology Fee.

5.7 Data Security and Access. In the operation of the Shop, Franchisee will receive "**Customer Data**." "**Customer Data**" is information, records, lists or data that contains "**Personal Information**." "**Personal Information**" includes information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer, potential consumer, individual or household, as such term may be further defined or amended by applicable federal, state and local statutes, regulations, ordinances and requirements, including but not limited to, the California Consumer Privacy Act. Franchisee agrees, at its sole cost and expense, to at all times:

a. comply with the data protection, collection, maintenance and use requirements for Customer Data set out in the Operations Manual and this Agreement, including all policies, procedures and controls that Franchisor implements now or in the future;

b. comply with all applicable federal, state and local statutes, regulations, ordinances and requirements, including but not limited to, the California Consumer Privacy Act, relating to the data protection, collection, maintenance and use of Customer Data (collectively, "**Privacy Laws**");

c. assist and otherwise cooperate with Franchisor to ensure Franchisor's and Franchisee's compliance with applicable Privacy Laws;

d. promptly notify Franchisor in writing of any Security Incident (defined below) that Franchisee becomes aware of or discovers. Franchisee will assist and otherwise cooperate with

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Franchisor to investigate any such Security Incident and will take all required steps, as determined by Franchisor, to remedy Franchisee's noncompliance with applicable Privacy Laws, this Agreement or the Operations Manual. For purposes of this section, "**Security Incident**" means any actual or suspected accidental or unlawful destruction, loss, alteration, unauthorized disclosure of, or access to Customer Data in violation of applicable Privacy Laws, this Agreement or the Operations Manual.

e. promptly provide Franchisor with the ability to delete, access or copy Customer Data in Franchisee's possession or control;

f. promptly notify Franchisor of any request regarding Customer Data received by the Franchisee from a "consumer" as defined by applicable Privacy Laws;

g. adopt policies, procedures, and controls, including those set out in the Operations Manual, if any, that enable Franchisee to respond, and to cause its agents and employees to respond, promptly to any rights request made pursuant to applicable Privacy Laws, including any disclosure request, deletion request, or opt-out request;

h. adopt policies, procedures, and controls, including those set out in the Operations Manual, if any, that limit access to Customer Data to only those employees that have a need-to-know basis based on specific job function or role. Franchisee will provide data privacy and security training to employees who have access to Customer Data or who operate or have access to system controls and will require employees to adhere to data confidentiality terms providing for the protection of Customer Data in accordance with this Agreement and the Confidential Operations Manual; and

i. maintain Customer Data in confidence in accordance with this Franchise Agreement.

Additionally, the Franchisee must purchase, install and implement computer data security hardware and software, firewall protection, and security breach insurance through the Franchisor's designated or approved supplier, if any. If a data security breach occurs, the Franchisee must immediately notify the Franchisor and comply with all investigation and remediation efforts related to such breach consistent with applicable law and the Franchisor's standards and specifications. The Franchisee authorizes vendors designated or approved by the Franchisor to conduct periodic data security and compliance audits and to perform remediation measures pursuant to the Franchisor's standards and specifications or the Franchisee shall provide proof of compliance to the Franchisor. The Franchisor reserves the right to require on 30 days' notice that the Franchisee purchase, install, and implement computer hardware and software upgrades, updates, and revisions for use in the operation of the BAD ASS COFFEE OF HAWAII Shop. If the Franchisee fails to purchase or maintain services or equipment that meet the Franchisor's standards, the Franchisor may purchase such items on Franchisee's behalf, and the Franchisee must reimburse the Franchisor. The Franchisor also reserves the right to require the Franchisee to provide the Franchisor with independent access to information and data regarding the BAD ASS COFFEE OF HAWAII Shop by computer modem, Internet connection or by other means.

5.8 **Permits and Licenses**. The Franchisee agrees to obtain all such permits and certifications as may be required for the lawful construction and operation of the BAD ASS COFFEE OF HAWAII Shop, together with all certifications from government authorities having jurisdiction over the site, that all requirements for construction and operation have been met, including without limitation, zoning, access, sign, health, safety requirements, building and other required construction permits, licenses to do business and fictitious name registrations, sales tax permits, restaurant permits and ratings and fire clearances. The Franchisee agrees to obtain all customary contractors' sworn statements and partial and final lien waivers

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for construction, remodeling, decorating and installation of equipment at the Franchised Location. The Franchisee shall execute and deliver to the Franchisor the Permit, License and Construction Certification, and Close Out Package in the form attached to this Agreement as Exhibit V, to confirm the Franchisee's compliance with the Americans With Disabilities Act and other provisions of this Section 5.8 not later than 30 days prior to the date the Shop begins operating. The Franchisee shall send a copy of its occupancy certificate to the Franchisor and keep copies of all health department, fire department, building department and other similar state and local agency and entity certifications, licenses, and reports of inspections on file and available for review by the Franchisor. Within 30 days after the Franchisee's Shop opens for business, the Franchisee will deliver to the Franchisor a copy of its license or permit to operate a restaurant, if applicable.

5.9 Commencement of Operations. Unless otherwise agreed to in writing by the Franchisor and the Franchisee, the Franchisee has 15 months from the date of this Agreement within which to: (1) secure all necessary financing for the Shop; (2) complete the initial training program described in Section 6.1 of this Agreement; (3) select, purchase or lease and build-out the Franchised Location; (4) purchase or lease and have installed such décor, furniture, equipment, fixtures, signs, point-of-sale system hardware and software as meets the standards and specifications of the Franchisor; (5) purchase an opening inventory of coffee products and supplies; (6) obtain and provide evidence of insurance as described in Section 22.1 below; (7) hire qualified employees; and (8) commence operation of the BAD ASS COFFEE OF HAWAII Shop. The Franchisor will extend the time in which the Franchisee has to commence operations for a reasonable period of time if factors beyond the Franchisee's reasonable control prevent the Franchisee from meeting this development schedule, so long as the Franchisee has made reasonable and continuing efforts to comply with such development obligations and the Franchisee requests, in writing, an extension of time in which to have its BAD ASS COFFEE OF HAWAII Shop established before such development period lapses. The Franchisee shall obtain the Franchisor's approval prior to opening the Shop for business.

6. TRAINING

6.1 New Franchisee Orientation Program. If this Agreement governs the Franchisee's first BAD ASS COFFEE OF HAWAII Shop, the Franchisee entity owners are required to attend a three day New Franchise Orientation program within 90 days of the effective date of this Agreement. The three-day program is held at the Franchisor's home office in Centennial, CO or at another designated location. The Franchisee shall be responsible for any and all traveling expenses, living expenses and wages incurred by the Franchisee in connection with attendance at the New Franchise Orientation program. Training participants will not receive any compensation from the Franchisor while attending the New Franchisee Orientation program.

6.2 Owner Immersion Program. First-time owners will be required to attend a two-day "Owner Immersion" program. This immersion includes interactive training and business overviews conducted in a designated Bad Ass Coffee of Hawaii Shop location. This training must occur before the Initial Training Program and may be offered as an addition to New Franchisee Orientation as a stand alone session. The Owner Immersion must be completed within 6 months of signing the Franchise Agreement.

6.3 Initial Training Program. The Franchisee, if the Franchisee is an individual, or the principal owner of the Franchisee entity, or, if the Shop governed by this Agreement is not the first Shop developed by the Franchisee or an affiliate, the person designated by the Franchisee to assume primary responsibility for the overall management of the BAD ASS COFFEE OF HAWAII Shop (the "**Principal Manager**"), is required to attend the initial training program which is offered by the Franchisor at one of the Franchisor's designated training facilities. The Principal Manager must successfully complete the initial training program before he/she will be permitted to perform the duties of the Principal Manager. Up to three individuals are eligible to participate in the Franchisor's initial training program without charge of a tuition

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or fee. The Franchisee shall be responsible for any and all traveling expenses, living expenses and wages incurred by the Franchisee and its employees in connection with attendance at the training program. Training participants will not receive any compensation from the Franchisor while attending the Franchisor's training. At least one individual must successfully complete the initial training program prior to the Franchisee's commencement of operation of its BAD ASS COFFEE OF HAWAII Shop.

6.4 **Length of Initial Training**. The initial training program shall consist of approximately 2.5 days of classroom instruction, and four days of on-the-job training, at a location designated by the Franchisor. The Franchisor reserves the right to waive a portion of the training program or alter the training schedule, if in the Franchisor's sole discretion, the Franchisee or the Principal Manager has sufficient prior experience or training. The Franchisor has the right to determine and offer all training programs via webinar or other remote method if circumstances warrant, in the Franchisor's sole discretion.

6.5 **Manager Training Programs**. If the Franchisee hires a new Principal Manager during the term of this Agreement, that person will be required to successfully complete the Franchisor's initial training program. The Franchisee will pay the Franchisor's then current tuition for the training, in addition to the travel and living expenses incurred in connection with attending training. If the Franchisee signs a Development Agreement for a Development Area in which multiple Shops will be developed, the Franchisee agrees to appoint a district manager ("**District Manager**") not later than 30 days after the date the Franchisee signs the third Franchise Agreement. If applicable, the Franchisee's District Manager will be required to successfully complete the Franchisor's initial training program before being approved to act as the Franchisee's District Manager. The Franchisee acknowledges and agrees that it is not permitted to send its Principal Managers, District Manager(s) or any of its other Shop managers to training programs other than those training programs conducted by the Franchisor or approved by the Franchisor in writing in advance.

6.6 **Additional Training**. From time to time, the Franchisor may present seminars, webinars, conventions, manager retreats, or continuing development programs or conduct meetings for the benefit of the Franchisee. The Franchisee and its Principal Manager or District Manager (a minimum of two (2) individuals, if Franchisee does not itself manage the day-to-day operation of the Shop) shall be required to attend in person unless noted otherwise by the Franchisor, any ongoing mandatory seminars, conventions, programs or meetings as may be offered by the Franchisor from time to time during the term of this Agreement. The Franchisor shall give the Franchisee at least 30 days prior written notice of any ongoing seminar, convention or program that is deemed mandatory. The Franchisor shall not require that the Franchisee attend any national convention or ongoing training in person more often than twice a year. The Franchisor shall have the right to require the Franchisee, its Principal Manager, District Manager and other designated employees to attend a local or regional meeting or manager retreat in person up to two times each calendar year. All mandatory training will be offered without charging tuition or a fee; provided, however, the Franchisee will be responsible to pay all travel and living expenses associated with attending training.

7. DEVELOPMENT ASSISTANCE

7.1 **Franchisor's Development Assistance**. The Franchisor, or its designee, shall provide the Franchisee with assistance in the initial establishment of the BAD ASS COFFEE OF HAWAII Shop as follows:

a. Provision of the initial training program to be conducted at the Franchisor's designated training facilities or at another location designated by the Franchisor, as described in Article 6 above.

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b. Provision of assistance from the Franchisor's designated site selection service provider, if any, that shall include, without limitation, one on-site visit to the market area by a representative who will assist the Franchisee with specifications for space requirements, build out and the demographics and character of the surrounding market area. The Franchisee acknowledges that the Franchisor shall have no other obligation to provide assistance in the selection and approval of a Franchised Location other than the provision of such assistance from the Franchisor's designated provider, and approval or disapproval of a proposed Franchised Location, which approval or disapproval shall be based on information submitted to the Franchisor in a form sufficient to assess the proposed location as may be reasonably required by the Franchisor.

c. Design plans and specifications, directives regarding the required construction, conversion, design and decoration of the BAD ASS COFFEE OF HAWAII Shop premises.

d. Information regarding the selection of suppliers of equipment, inventory, items and materials used, roasted coffee beans and merchandise offered for sale in connection with the BAD ASS COFFEE OF HAWAII Shop. The Franchisor shall make available to the Franchisee a designated and required equipment consolidator supplier for all required equipment purchases, as well as for some fixtures, furniture and materials. Additional designated or approved supplier information will be made available to the franchisee for other inventory items, products and merchandise, and if available, a description of any regional or central purchase and supply agreements offered by such designated and approved suppliers for the benefit of BAD ASS COFFEE OF HAWAII franchisees.

e. Provision of an operations manual in accordance with Section 8.1 below.

f. If this Agreement is for the first BAD ASS COFFEE OF HAWAII Shop to be opened by the Franchisee, the Principal Manager, or the Franchisee's affiliates, the Franchisor will plan a grand opening event and send one or two of its representatives to be present for up to five days to assist the Franchisee in the grand opening and initial operation of the BAD ASS COFFEE OF HAWAII Shop. For the second and subsequent Shops, in-person assistance will be in the Franchisor's sole discretion.

8. OPERATIONS MANUAL

8.1 Operations Manual. The Franchisor shall provide to the Franchisee, either electronically or in such other manner as the Franchisor shall determine, one or more manuals, technical bulletins, or other written materials (collectively referred to as "**Operations Manual**") covering certain standards, specifications and operating and marketing procedures that the Franchisor requires the Franchisee to utilize in operating its BAD ASS COFFEE OF HAWAII Shop. The Franchisee shall comply with the Operations Manual as an essential aspect of its obligations under this Agreement, and failure by the Franchisee to substantially comply with the Operations Manual may be considered by the Franchisor to be a breach of this Agreement.

8.2 Confidentiality of Operations Manual Contents. The Franchisee shall use the Marks and Licensed Methods only as specified in the Operations Manual. The Operations Manual is the sole property of the Franchisor and shall be used by the Franchisee only during the term of this Agreement and in strict accordance with the terms and conditions hereof. The Franchisee shall not print or duplicate the Operations Manual nor disclose its contents to persons other than its employees or officers who have signed a confidentiality agreement in a form approved by the Franchisor. The Franchisee shall return any copies of the Operations Manual to the Franchisor upon the expiration, termination or assignment of this Agreement.

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8.3 **Changes to Operations Manual**. The Franchisor reserves the right to revise the Operations Manual from time to time as it deems necessary to update or change operating and marketing techniques or standards and specifications. The Franchisee shall download and update its copy of the Operations Manual as instructed by the Franchisor and shall conform its operations to the updated provisions within 30 days of receipt of each update. The Franchisee acknowledges that a master copy of the Operations Manual, maintained by the Franchisor online and at its principal office, shall be controlling in the event of a dispute relative to the content of any Operations Manual.

9. OPERATING ASSISTANCE

9.1 **Franchisor's Services**. The Franchisor, or its designee, shall, during the Franchisee's operation of the BAD ASS COFFEE OF HAWAII Shop, make available to the Franchisee the following services:

a. The Franchisor shall give the Franchisee access to advertising and promotional materials as may be developed by the Franchisor, the cost of which may be passed on to the Franchisee or charged to the National Marketing Fund (defined in Section 13.2 below), at the Franchisor's option.

b. Upon the reasonable request of the Franchisee, consultation by telephone or electronic mail regarding the continued operation and management of the BAD ASS COFFEE OF HAWAII Shop and advice regarding menu items, roasted coffee and merchandise offered for sale, customer relations, product purchase, supply and sale and similar advice.

c. Provision of seminars, webinars or programs, at a frequency to be determined by the Franchisor, on new methods, services, products, marketing techniques, and equipment. The Franchisee (owner) and a Manager are required to attend an annual Convention for franchisees, at the Franchisee's expense.

d. Updates of information and programs regarding the franchised business, the BAD ASS COFFEE OF HAWAII concept, the coffee industry generally, and the Licensed Methods, at a frequency to be determined by the Franchisor, including, without limitation, information about improvements to existing products and services offered, new menu offerings, coffee shop trends and products and merchandise which may be developed and made available to BAD ASS COFFEE OF HAWAII franchisees as a part of the Licensed Methods.

e. The Franchisor shall make the initial training program available to replacement or additional Principal Managers and to Shop managers and District Managers during the term of this Agreement. The Franchisor reserves the right to charge a tuition or fee in an amount payable in advance, commensurate with the then current published prices of the Franchisor for such training. The Franchisee shall be responsible for all wages, travel and living expenses incurred by its personnel during the training program. The availability of the training programs shall be subject to space considerations and prior commitments to new BAD ASS COFFEE OF HAWAII franchisees.

9.2 **Additional Franchisor Services**. Although not obligated to do so, the Franchisor may make its employees or designated agents available to the Franchisee for on-site advice and assistance in connection with the on-going operation of the BAD ASS COFFEE OF HAWAII Shop governed by this Agreement. If the Franchisee requests such additional assistance and the Franchisor agrees to provide the same, the Franchisor reserves the right to charge the Franchisee for all travel, lodging, living expenses, telephone charges and other identifiable expenses associated with such assistance, plus a fee based on the time spent

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by each employee on behalf of the Franchisee, which fee will be charged in accordance with the then current daily or hourly rates being charged by the Franchisor for assistance.

10. FRANCHISEE'S OPERATIONAL COVENANTS

10.1 **Business Operations**. The Franchisee acknowledges that it is solely responsible for the successful operation of its BAD ASS COFFEE OF HAWAII Shop and that the continued successful operation thereof is, in part, dependent upon the Franchisee's compliance with this Agreement and the Operations Manual. In addition to all other obligations contained in this Agreement and in the Operations Manual, the Franchisee shall comply with the following operational obligations.

a. Quality of Operations. The Franchisee shall maintain clean, efficient and high quality BAD ASS COFFEE OF HAWAII Shop operations and shall operate the business in accordance with the Operations Manual and in such a manner as not to detract from or adversely reflect upon the name and reputation of the Franchisor and the goodwill associated with the BAD ASS COFFEE OF HAWAII name and the Marks.

b. Compliance with Laws and Good Business Practices. The Franchisee shall conduct itself and operate its BAD ASS COFFEE OF HAWAII Shop in compliance with all applicable laws, regulations and other ordinances, including, without limitation, restaurant regulations, health department regulations, retail licensing laws, music licensing laws, data security laws, privacy laws, and other ordinances in such a manner so as to promote a good public image in the business community. In connection therewith, the Franchisee will be solely and fully responsible for obtaining any and all licenses to carry on business at the BAD ASS COFFEE OF HAWAII Shop. The Franchisee shall provide the Franchisor with copies of all licenses held by the Franchisee upon request. In addition, the Franchisee shall provide to the Franchisor immediately copies of all food safety board, health and sanitation department, fire department, building department, and other state or local entity or agency warnings, notices of deficiency or non-compliance, reports of inspections and other documents indicating that the Franchisee has not met or maintained the highest governmental standards as and when such reports, notices and documents become available. The Franchisee shall be solely responsible for any penalties or fines assessed for failure to abide by such laws and regulations.

c. Management. The Franchisee acknowledges that proper management of the BAD ASS COFFEE OF HAWAII Shop is important and shall insure that the designated Principal Manager who has successfully completed the Franchisor's initial training program, is responsible for the management of the BAD ASS COFFEE OF HAWAII Shop at all times. The Franchisee acknowledges and agrees that if this is the first Franchise Agreement between the Franchisee and the Franchisor, one of the Franchisee's principal owners shall be actively involved in the business management of the BAD ASS COFFEE OF HAWAII Shop for the first 12 months of operations. Thereafter, the principal owner is required to maintain an active role overseeing the business operations of the BAD ASS COFFEE OF HAWAII Shop and of the second and subsequent Shops. The Franchisee further acknowledges and agrees that not later than 30 days after the Franchisee (or its affiliate) signs a Franchise Agreement for the third BAD ASS COFFEE OF HAWAII Shop to be developed, the Franchisee will appoint a District Manager to oversee all of the Franchisee's (or its affiliates') Shops. The District Manager is required to successfully complete the initial training program and any additional training specific to District Managers before assuming the duties of a District Manager.

d. Approved Services and Products. The Franchisee shall offer only services and products through its Shop which meet or exceed the minimum standards and specifications

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established by the Franchisor as more fully described in the Operations Manual. The Franchisee shall offer all menu items, services and products, including specific brands, as from time to time may be prescribed by the Franchisor and shall refrain from offering any other menu items, services or products, including specific brands, or operating or engaging in any other type of business, from or through the BAD ASS COFFEE OF HAWAII Shop that are not authorized by the Franchisor, including, without limitation, filling "wholesale orders," defined below, or any off-premises, Internet, catalog or mail order sales without written consent of the Franchisor. The Franchisee shall not operate an independent Website for its Shop location. A Local Page Website for the Franchisee's location to advertise store location, hours, online ordering, menu, etc. shall be provided for the Franchisee by the Franchisor on locations.badasscoffee.com. Tobacco products are strictly prohibited from being sold in a BAD ASS COFFEE OF HAWAII shop. "**Wholesale Orders**" are defined as those orders or sales where the principal purpose of the purchase is for resale, not use including grocery, full-service office coffee service distributor or broker, third party eComm website, or any other resale channel. The Franchisee shall not engage in full-service bulk or volume coffee supply business in which the Franchisee must also provide coffee brewing equipment, equipment sale or equipment service as part of the bulk/volume coffee sale. Note that volume discounted "local commercial" sales made by the Franchised Location to a single purchaser, not for resale, shall not be considered a "wholesale order."

e. Payment of Obligations. The Franchisee shall pay on a timely basis all amounts due and owing to the Franchisor pursuant to any separate agreements between the Franchisee and the Franchisor and all amounts due and owing by the Franchisee to all third parties, including affiliates of the Franchisor, national vendors and taxing authorities, with whom the Franchisee does business at or through the Shop. In connection with any amounts due and owing by the Franchisee to third parties, the Franchisee expressly acknowledges that a default by the Franchisee with respect to such indebtedness may be considered a default hereunder and the Franchisor may avail itself of all remedies provided for herein in the event of default.

f. Other Agreements. The Franchisee shall comply with all agreements with third parties related to the BAD ASS COFFEE OF HAWAII Shop including, in particular, all provisions of any premises lease or equipment lease. In addition, the Franchisee shall obtain the Franchisor's prior written consent to any changes to the premises lease or any equipment lease during the term of this Agreement.

g. Employees. The Franchisee shall be exclusively responsible for the conduct and control of its employees and employment practices, including hiring, firing, training, and compensation of its employees. The Franchisee shall be fully responsible for all of its employees' compliance with the operational standards which are part of the Licensed Methods. The Franchisee must conduct its employee training in a manner which ensures that Franchisee's employees comply with such operational standards and all laws and regulations affecting Shop operations. Any employee who does not satisfactorily complete the Franchisee's training, as described in this section, shall not work in any capacity in the Franchisee's BAD ASS COFFEE OF HAWAII Shop. The Franchisee and all employees of the Franchisee shall present a professional appearance, as described in the Operations Manual, and shall render competent and courteous service to clients of the BAD ASS COFFEE OF HAWAII Shop while working at the Franchised Location. All Principal Managers, District Managers, employees of the Franchisee, the Franchisee and its owners, shall at all times while working at the Franchised Location wear clothing that meets such standards and specifications as may be prescribed by the Franchisor from time to time. The Franchisor has the right, in its sole and absolute discretion, to change or modify such dress code guidelines. Nothing in this Agreement shall be deemed to make the Franchisee's employees, representatives or agents (i) subject to the control of the Franchisor or (ii) employees of the Franchisor.

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h. Remodeling and Upgrading. The Franchisee shall renovate, refurbish, remodel or replace, at its own expense, the real and personal property, furnishings and equipment used in the operation of the BAD ASS COFFEE OF HAWAII Shop, when reasonably required by the Franchisor in order to comply with the then current image, standards of operation and performance established by the Franchisor from time to time. If the Franchisor changes its image or standards of operation, it shall give the Franchisee a reasonable period of time within which to comply with such changes. The Franchisee will not be required to conduct a major remodel of the Shop more often than once during a five-year period. Franchisee must complete the remodeling and/or refurbishment of its Shop within a reasonable period of time, which shall be determined by Franchisor in its sole discretion depending upon the extent of the required work.

i. Ownership of Business. The Franchisee shall at all times during the term of this Agreement own and control the BAD ASS COFFEE OF HAWAII Shop authorized hereunder. Upon request of the Franchisor, the Franchisee shall promptly provide satisfactory proof of such ownership to the Franchisor. The Franchisee represents that the Statement of Ownership, attached hereto as Exhibit III and by this reference incorporated herein, is true, complete, accurate and not misleading, and, in accordance with the information contained in the Statement of Ownership, the controlling ownership of the BAD ASS COFFEE OF HAWAII Shop is held by the Franchisee. The entity registered in the Franchisee's state and as listed on the Statement of Ownership shall not include Bad Ass Coffee, Bad Ass Coffee of Hawaii or any similar name or abbreviation. Naming convention and restrictions shall also apply to email addresses and any other form of communication or identification with the entity. The Franchisee shall promptly provide the Franchisor with a written notification if the information contained in the Statement of Ownership changes at any time during the term of this Agreement and shall comply with the applicable transfer provisions contained in Article 17 herein.

j. Hours of Operation. The Franchisee shall at all times during the term of this Agreement keep its BAD ASS COFFEE OF HAWAII Shop open during the business hours as designated by the Franchisor in the Operations Manual and shall maintain sufficient supplies of branded packaged coffee and merchandise and employ adequate personnel at all times so as to operate the Shop at its maximum capacity and efficiency.

k. Use of Coffee Trailers, Vans, Carts, Kiosks and Food Trucks. The rights that are granted to the Franchisee to sell products and services are for the specific Franchised Location and within the Protected Territory for that Franchised Location. The Franchisee may not use a coffee trailer, van, cart, kiosk, food truck or similar mobile serving system outside of their Protected Area without the prior written approval of the Franchisor in advance of each occurrence.

10.2 Anti-Terrorism Representation. Franchisee and its principal shareholders, members or owners ("**principals**") agree to comply with or to assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee and its principals certify, represent, and warrant that none of their respective property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that neither Franchisee nor any of its principals are otherwise in violation of any of the Anti-Terrorism Laws. For the purposes of this Section, the term "Anti-Terrorism Laws" shall mean Executive Order 13224 issued by the President of the United States ("**Executive Order 13224**"), the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of

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Foreign Assets Control, and any other government agency with jurisdiction over the parties to this Agreement or their actions) addressing or in any way relating to terrorist acts or acts of war. Franchisee and its principals certify that none of them, their respective employees, or anyone associated with any of them is listed in the Annex to Executive Order 13224 (the "**Annex**"), which is available at: http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx. Franchisee agrees not to knowingly hire any individual who is listed in the Annex (or, if he or she is already employed, retain the employment of that individual). Franchisee also agrees not to knowingly: (a) establish a new relationship with a person as an employee, principal, banker, or otherwise who is listed in the Annex (whether or not Franchisor has consented to a transfer involving such new principal); and (b) maintain a business relationship (whether with an employee, principal, banker, or otherwise) with a person who is added to the Annex. Franchisee certifies that it has no knowledge or information that, if generally known, would result in Franchisee or its principals, its employees, or anyone else associated with Franchisee to be listed in the Annex. Franchisee understands that it is solely responsible for ascertaining what actions it must take to comply with the Anti-Terrorism Laws. Any misrepresentation by Franchisee under this Section or any violation of the Anti-Terrorism Laws by Franchisee, its principals, its employees, or their respective affiliates shall constitute grounds for immediate termination of this Agreement, and any other Agreement Franchisee has entered into with Franchisor or one of Franchisor's affiliates.

11. PURCHASES OF PRODUCTS

11.1 **Inventory**. Prior to commencement of operation of the BAD ASS COFFEE OF HAWAII Shop, the Franchisee shall purchase and stock the Shop with bulk coffee, packaged coffee, drink blends, merchandise and related items in such mix and quantities as the Franchisor may determine and prescribe based on the size of and demand at the Shop. The Franchisee shall, during the term of the Franchise Agreement, maintain product inventory levels and product inventory mix sufficient to meet client demands and in compliance with the Franchisor's standards and specifications as may be described in the Operations Manual from time to time. The Franchisor reserves the right to require the Franchisee to purchase and maintain inventories of designated brand items, including the "BAD ASS COFFEE OF HAWAII" brand. The Franchisor also reserves the right to require the Franchisee to purchase required items necessary to participate in required national or other promotions, as set forth in the Operations Manual or otherwise by the Franchisor in writing. The Franchisee may be required to purchase products from the Franchisor, its affiliates or designated suppliers.

11.2 **Limitations on Supply Obligations**. Delivery of branded roasted coffee and merchandise as may be purchased from the Franchisor or its affiliates is subject to and conditioned upon availability. Nothing in this Agreement shall be construed by the Franchisee to be a promise or guarantee as to the continued availability of a particular product sold by the Franchisor or its affiliated companies, nor shall any provision herein imply or establish an obligation on the part of the Franchisor and its affiliates to sell products to the Franchisee if the Franchisee is in arrears on any payment to the Franchisor and its affiliates or otherwise in default under this Agreement.

11.3 **No Product Warranties**. The products, including bulk coffee, packaged coffee, drink blends, and branded merchandise, purchased by the Franchisee from the Franchisor or its affiliated companies shall be subject only to manufacturers' warranties. THE FRANCHISOR AND ITS AFFILIATED COMPANIES MAKE NO WARRANTIES, EXPRESS OR IMPLIED, REGARDING MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF ANY OF THE PRODUCTS, INCLUDING BULK COFFEE, PACKAGED COFFEE, DRINK BLENDS, AND BRANDED MERCHANDISE, PURCHASED BY THE FRANCHISEE.

11.4 **Changes in Products**. It is understood that the Franchisor and its affiliates shall have the right, at any time and without notice, to add items to, or withdraw items from, the list of products; to add to or delete

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from the list of approved suppliers of products; to revise any product; and to change the prices, discounts, or terms of sale of any product, provided, however, no such changes in prices, discounts or terms shall affect accepted orders pending with the Franchisor and its affiliates at the time of change.

12. ROYALTIES

12.1 **Weekly Royalty**. The Franchisee shall pay to the Franchisor a bi-monthly royalty ("**Royalty**") equal to 5% of the total amount of its "Net Sales" (defined in Section 12.2 below), generated from or through its BAD ASS COFFEE OF HAWAII Shop.

12.2 **Net Sales**. "**Net Sales**" shall mean and include the aggregate amount of all sales of services, products or merchandise of every kind or nature sold from, at or in connection with or arising out of the operation or conduct of business at the Shop or, if the Franchisee is an entity, arising out of the operation or conduct of any business by such entity, including sales made at or away from the Shop through mobile or temporary units, whether through Franchisor approved programs such as Local Commercial Sales or Local Catering programs, whether for cash or credit, and any revenues from vending machines and from sales of promotional items such as T-shirts, mugs, and similar items, less merchandise returns for which refunds are made, and less food and beverage refunds, provided that no refund shall exceed the sales price, but excluding all: (i) federal, state or municipal sales or service taxes collected from clients and paid to the appropriate taxing authority; (ii) discounts that have been approved in advance by the Franchisor in writing; and (iii) other exclusions as may be authorized in writing by the Franchisor.

12.3 **Royalty Payments**. Royalty payments shall be made bi-monthly and sent to the Franchisor by electronic funds transfer or by credit card, on the first and on the sixteenth days of each month, or on such day(s) as the Franchisor shall designate from time to time ("**Due Date**") based on Net Sales for the immediately preceding time period. No later than 30 days prior to the opening of the Shop, the Franchisee shall execute an Authorization Agreement for Preauthorized Payments in the form attached to this Agreement as Exhibit IV to allow the electronic transfer of funds from the Franchisee's bank account to the Franchisor's bank account of Royalties, National Marketing Contributions, Technology Fees, and other past due amounts owed by the Franchisee to the Franchisor arising from or relating to this Agreement. On the Due Dates each month, the Franchisee shall submit Royalty reports and Royalty payments to the Franchisor by electronic transmission using the Franchisor's designated software, which include reports of the Franchisee's Net Sales and such additional information as may be requested by the Franchisor. The Franchisor shall have the right to verify such Royalty payments from time to time as it deems necessary, in any reasonable manner. If the Franchisee fails to have sufficient funds in the account or otherwise fails to pay any Royalties as of the Due Date, the Franchisee shall, in addition to such Royalties, owe a $25 late fee per day to be automatically assessed and debited or paid along with the late Royalty payment. The late fee shall not be assessed for more than 10 days for a single late payment, up to a maximum of $250 per late payment. In addition, the Franchisor shall have the right to charge interest on any payments made after the Due Date at the highest applicable legal rate for open account business credit, not to exceed 1½% per month. The Franchisee acknowledges that this Section 12.3 shall not constitute the Franchisor's or its affiliates' agreement to accept such payments after they are due or a commitment to extend credit to or otherwise finance operation of the Shop. In no event shall the Franchisee be required to pay a late payment and/or interest at a rate greater than the maximum interest rate permitted by applicable law.

12.4 **Application of Payments**. Notwithstanding any designation by the Franchisee, the Franchisor shall have sole discretion to apply any payments by the Franchisee, and any credits received by the Franchisor on the Franchisee's behalf from third-party vendors, to any of Franchisee's past due indebtedness to Franchisor for Royalties, National Marketing Contributions, product purchases from the Franchisor or its affiliates, interest or any other indebtedness. The Franchisee acknowledges that the

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Franchisor has the right to set-off any amounts the Franchisee may owe to the Franchisor against any amounts the Franchisor might owe to the Franchisee.

13. ADVERTISING

13.1 **Approval of Advertising**. The Franchisee shall obtain the Franchisor's prior written approval of all written advertising or other marketing or promotional programs regarding the BAD ASS COFFEE OF HAWAII Shop, including, without limitation, directory listing advertising, digital ads/content newspaper ads, flyers, brochures, magazines, coupons, direct mail pieces, specialty and novelty items, radio and television. See Section 13.5 below regarding Digital and Social Marketing. The proposed written advertising or a description of the marketing or promotional program shall be submitted to the Franchisor at least 30 days prior to publication, broadcast or use. The Franchisee acknowledges that advertising and promoting the BAD ASS COFFEE OF HAWAII Shop in accordance with the Franchisor's standards and specifications is an essential aspect of the Licensed Methods, and the Franchisee agrees to comply with all advertising standards and specifications. The Franchisee shall display all required promotional materials, signs, point of purchase displays and other marketing materials in its BAD ASS COFFEE OF HAWAII Shop and in the manner prescribed by the Franchisor, including timelines regarding the beginning and ending of promotions and communications about promotions. The Franchisee agrees to participate in all national promotions as developed and specified by the Franchisor. If such promotions include a discount on products or services, the Franchisee agrees to offer those discounts at the Franchisee's sole expense. The Franchisee agrees to participate in any mandatory gift card and customer loyalty card programs and points promotions implemented by the Franchisor in accordance with all the Franchisor's standards and specifications. The Franchisee acknowledges and agrees that participation in a gift card and customer loyalty card program, whether voluntary or required, may require the Franchisee to pay fees, enter into agreements or purchase equipment or other products or services from the Franchisor or from a designated third-party supplier.

13.2 **National Marketing Contribution**. The Franchisee shall contribute to an advertising fund established by the Franchisor ("**National Marketing Fund**") a fee of 2% of the total amount of the Franchisee's Net Sales ("**National Marketing Contribution**") in the percentage established by the Franchisor from time to time. The National Marketing Contribution shall be paid to the Franchisor in addition to Royalties and in addition to any amounts spent on local or regional advertising, and the following terms and conditions shall apply:

a. The National Marketing Contribution shall be payable concurrently with (or on another designated Due Date), and in the same manner as, the payment of the Royalties as described in Section 12.3.

b. The Franchisor may change the amount of the National Marketing Contribution (but not to exceed 2% of the Franchisee's Net Sales) by providing the Franchisee with at least 30 days prior written notice.

c. The Franchisor shall have the right to verify National Marketing Contribution payments from time to time as it deems necessary, in any reasonable manner.

d. The National Marketing Contributions will be subject to the same late charges and interest as the Royalties, in an amount and manner set forth in Section 12.3 above.

e. Upon the request of the Franchisee, the Franchisor will make available to the Franchisee, no later than 120 days after the end of each fiscal year, an unaudited Summary Statement which indicates how the National Marketing Fund has been spent.

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f. The Franchisor shall direct all advertising and marketing programs financed by the National Marketing Fund, with sole discretion over the creative concepts, materials and endorsements used therein, geographic, market and media placement and allocation, and the administration thereof. The Franchisee agrees that the National Marketing Fund may be used to pay the costs of preparing and producing video, audio and written advertising materials, and Digital and Social Marketing (as defined in Section 13.6), including website design and maintenance and communication by social media and electronic mail; agency costs and commissions; implementing and administering gift card and stored value card programs and customer loyalty programs; employee incentives and retention programs; training programs; administering regional advertising programs, including, without limitation, purchasing and placing direct mail and other media advertising and employing advertising agencies and in-house staff to assist therewith; and supporting public relations, market research, brand recognition, third-party shopping services, and other advertising and marketing activities.

g. The National Marketing Fund shall be accounted for separately from the Franchisor's other funds and shall not be used to defray any of the Franchisor's general operating expenses, except for such reasonable administrative costs, salaries and overhead as the Franchisor may incur in activities related to the administration of the National Marketing Fund and the implementation of its programs, including, without limitation, conducting market research, incurring related accounting and legal expenses, preparing material and collecting and accounting for National Marketing Fund contributions. The Franchisor may spend in any fiscal year an amount greater or less than the aggregate contribution of all BAD ASS COFFEE OF HAWAII Shops to the National Marketing Fund in that year and the National Marketing Fund may borrow from the Franchisor or other lenders to cover deficits or cause the National Marketing Fund to invest any surplus for future use. All interest earned on monies contributed to the National Marketing Fund will be first used to pay costs. The National Marketing Fund may be incorporated or operated through an entity separate from the Franchisor at such time as the Franchisor deems appropriate, and such successor entity shall have all rights and duties of the Franchisor necessary to administer the National Marketing Fund pursuant to this Section 13.2.

h. The Franchisee understands and acknowledges that the National Marketing Fund is intended to maximize recognition of the Marks and patronage of BAD ASS COFFEE OF HAWAII Shops. Although the Franchisor will endeavor to utilize the National Marketing Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all BAD ASS COFFEE OF HAWAII Shops, the Franchisor undertakes no obligation to ensure that expenditures by the National Marketing Fund in or affecting any geographic area are proportionate or equivalent to the contributions by BAD ASS COFFEE OF HAWAII Shops operating in that geographic area or that any BAD ASS COFFEE OF HAWAII Shop will benefit directly or in proportion to its contribution from the development of advertising and marketing materials or the placement of advertising. The National Marketing Fund is not a trust fund, and the Franchisor does not owe the Franchisee a fiduciary duty with respect to the maintenance, direction or administration of the National Marketing Fund. Except as expressly provided in this Section 13.2, the Franchisor assumes no direct or indirect liability or obligation to the Franchisee with respect to the maintenance, direction or administration of the National Marketing Fund.

i. The Franchisor reserves the right to terminate the National Marketing Fund, upon 30 days' written notice to the Franchisee. All unspent monies on the date of termination shall be distributed to the Franchisor's franchisees in proportion to their respective contributions to the National Marketing Fund during the preceding 12-month period. The Franchisor shall have the right to reinstate the National Marketing Fund upon the same terms and conditions set forth herein upon 30 days' prior written notice to the Franchisee.

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13.3 **Local Advertising**. The Franchisee acknowledges and agrees that marketing to create local public awareness of the Franchisee's BAD ASS COFFEE OF HAWAII Shop is important. The Franchisor reserves the right to require the Franchisee, if the Shop is in a new market or in a nearby market that does not yet have a BAD ASS COFFEE Shop, to invest a minimum of Four Thousand Dollars $4,000, per quarter, in local marketing channels for the first six quarters of operations. Spending reports, invoices/receipts must be submitted to Franchisor within thirty (30) days of the end of each calendar quarter. Though not currently required, the Franchisor reserves the right to require the Franchisee to spend up to a maximum of 3% of its quarterly Net Sales on local advertising upon 60 days' prior written notice. If required, the Franchisee will submit to the Franchisor an accounting of the amounts spent on local advertising within 15 days following the end of each calendar quarter. If the Franchisee's lease requires it to advertise locally, the Franchisor will count such expenditures toward the Franchisee's local advertising expenditure required by this Section 13.3. If a local advertising requirement is in effect and the Franchisee fails to spend the minimum amount on local advertising, this Agreement will be subject to termination under Section 19.2 below or, in the Franchisor's sole discretion, the Franchisor may purchase local advertising for the Franchisee and the Franchisee will be obligated to reimburse the Franchisor for all such purchases.

13.4 **Grand Opening Marketing Fee**. The Franchisee shall pay the Franchisor a $15,000 fee ("**Grand Opening Marketing Fee**") for which the Franchisor will conduct a grand opening event and promotional program for the BAD ASS COFFEE OF HAWAII Shop at or around the time that the Shop opens. $6500 of the Grand Opening Marketing Fee will be due and payable 60 days before the Shop opens; $6500 of the Grand Opening Marketing Fee will be due and payable 30 days before the Shop opens; the remaining $2000 of the Grand Opening Marketing Fee shall be payable with 30 days following the Shop opening. The grand opening campaign may include offering discounted drinks and merchandise and the dollar value of discounted items will not be credited toward the Grand Opening Marketing Fee. For Non-Traditional Shops, the Grand Opening Marketing Fee is between $5,000 to $15,000, as designated by the Franchisor in its sole discretion depending upon the operational format of the Non-Traditional Shop.

Existing Franchisees may pay, at the Franchisor's discretion, a $2,500 fee ("Grand Reopening Marketing Fee") for which the Franchisor will provide assistiance in connection with a grand "re-opening" event and promotional program following the completion of a remodel of an existing BAD ASS COFFEE OF HAWAII Shop.

13.5 **Digital and Social Marketing**. The Franchisee may create its own advertising and promotional materials; however, all advertising and promotion by the Franchisee must (a) be in such media and of such type and format as the Franchisor may approve, (b) be conducted in a dignified manner, and (c) must conform to the standards and requirements as the Franchisor may specify. All assets must be produced in accordance with the Franchisor's comprehensive brand guidelines, including color, typeset, tone, and logo utilization. The Franchisee must participate in all national limited time offer (LTO) and other national promotions as developed and specified by the Franchisor. If those promotions include a discount on products or services, the Franchisee agrees to offer those discounts at its own expense. These promotions may also include all Loyalty related rewards and discounts. Franchisee acknowledges that the Franchisor has established certain standards and specifications for System franchisees' management of local social media pages (the "Local Social Policy"). All local pages across all approved social media platforms must be managed in accordance with the Local Social Policy. The Franchisor may set up such pages and grant access to the Franchisee following the completion of training. All use of social media in connection with the operation of the Franchisee's Shop must comply with the Franchisor's standards and specifications, including the Local Social Policy, and the Franchisor reserves the right to inspect, take down or disable local social media management if brand standards and/or legal advertising standards are not met. The Franchisee shall not develop, create, contribute to, distribute, disseminate or use any electronic or Internet communication, including websites, blogs, apps, instant message services such as Twitter, social media sites such as Instagram, TikTok, Facebook, Nextdoor and all other electronic communications methods, or

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any multimedia, telecommunications, mass electronic mail messages, facsimile or audio/visual advertising, promotional or marketing materials ("**Digital and Social Marketing**"), directly or indirectly related to the BAD ASS COFFEE OF HAWAII Shop, the Marks, the Licensed Methods, other franchisees, other BAD ASS COFFEE OF HAWAII Shops, the Franchisor, its employees and affiliates, except as otherwise specified in this Agreement and/or in accordance with the Franchisor's Local Social Policy. The Franchisee shall not operate an independent Website for its Shop location. A Local Page Website for the location to advertise store location, hours, online ordering, menu, etc. shall be provided for the Franchisee as a sub-domain of the Franchisor's site at badasscoffee.com. The Franchisee acknowledges and agrees that it will not post a blog, create or contribute to a website, or sell retail products on a website. The Franchisor shall retain the exclusive right to develop, publish and control the content of all Digital and Social Marketing for BAD ASS COFFEE OF HAWAII Shops. The Franchisee acknowledges that the Franchisor shall own all Digital and Social Marketing related to or associated with the Marks and Licensed Methods including, without limitation, databases of customer contact information and other customer information. The Franchisor reserves the right to require the Franchisee to: (a) participate in any Digital and Social Marketing of BAD ASS COFFEE OF HAWAII Shops sponsored by the Franchisor; or (b) create, customize, change, delete or provide access to any websites, any social media or networking account, telecommunications or audio/visual advertising, promotional or marketing material as part of the Digital and Social Marketing. The Franchisee shall not publish any of the Franchisor's confidential information, including but not limited to, recipes, prices or fees, on the Internet, and the Franchisee shall not publish any of the Franchisor's copyrighted material or information containing the Marks or any of the Licensed Methods on the Internet without the Franchisor's prior written permission; nor shall the Franchisee assist any other party in doing so.

13.6 **Advisory Council.** The Franchisor may establish, if and when it deems appropriate in its sole discretion, a council to provide advice and guidance regarding the administration of the Fund and advertising generally (the "Franchisee Advisory Council," or "FAC") If Franchisor establishes an FAC, it may serve in only an advisory capacity and may consist of franchisees, personnel from Franchisor's affiliate-owned business(es), or other management/employees that Franchisor designates. The membership of the FAC, along with the policies and procedures by which it operates, will be determined by Franchisor. The recommendations of the FAC shall not be binding on Franchisor.

14. QUALITY CONTROL

14.1 **Compliance with Operations Manual**. The Franchisee shall maintain and operate the BAD ASS COFFEE OF HAWAII Shop in compliance with this Agreement and the standards and specifications contained in the Operations Manual, as the same may be modified from time to time by the Franchisor.

14.2 **Standards and Specifications**. The Franchisor will make available to the Franchisee standards and specifications for products and services offered at or through the BAD ASS COFFEE OF HAWAII Shop and for the Franchised Location, equipment, furniture, fixtures, roasted coffee and merchandise offered for sale, inventory policies, employee attire, ambient music, supplies, forms, advertising material and other items used in connection with the Shop. The Franchisor reserves the right to change standards and specifications for menu items, roasted coffee, merchandise and products offered at or through the BAD ASS COFFEE OF HAWAII Shop and for the Franchised Location, equipment, furniture, fixtures, inventory policies, roasted coffee and merchandise offered for sale and used in the menu items served, employee attire, ambient music, supplies, forms, advertising material and other items used in connection with the Shop, upon 30 days prior written notice to the Franchisee. The Franchisee shall, at the Franchisee's expense and throughout the term of this Agreement, remain in compliance and strictly adhere to all of the Franchisor's current standards and specifications for the BAD ASS COFFEE OF HAWAII Shop as prescribed from time to time. Failure to do so will constitute a default of this agreement. The Franchisee acknowledges that compliance with the Operations Manual is vitally important to the Franchisor and other

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BAD ASS COFFEE OF HAWAII system franchisees and is necessary to protect the reputation and goodwill of the Marks and to maintain a uniform quality of operation throughout the BAD ASS COFFEE OF HAWAII system. However, while the Operations Manual is designed to protect the reputation and goodwill of the Marks, it is not designed to control the day-to-day operation of the BAD ASS COFFEE OF HAWAII Shop.

14.3 Inspections. The Franchisor shall have the right to examine the Franchised Location, including the menu items offered and the manner in which those menu items are provided, inventory, roasted packaged coffee and merchandise offered for sale, equipment, furniture, fixtures, materials, supplies or services, to ensure compliance with all standards and specifications set by the Franchisor. The Franchisor shall conduct such inspections during regular business hours and the Franchisee may be present at such inspections. The Franchisor, however, reserves the right to conduct the inspections without prior notice to the Franchisee.

14.4 Restrictions on Products and Services. The Franchisee is prohibited from offering or selling any products or services not authorized by the Franchisor as being a part of the Licensed Methods. If the Franchisee proposes to offer or utilize any menu items, products, recipes, services, materials, forms, equipment, furniture, fixtures, décor, merchandise or supplies for use in connection with or sale through the BAD ASS COFFEE OF HAWAII Shop which are not previously approved by the Franchisor as meeting its specifications, the Franchisee shall first notify the Franchisor in writing using the Franchisor's "exception request process" form, or any other form or process designated by the Franchisor in the Operations Manual. The Franchisor may, in its sole discretion, for any reason whatsoever, elect to withhold such approval; however, in order to make such determination, the Franchisor may require submission of specifications, information, or samples of such menu items, products, recipes, services, materials, forms, merchandise, or supplies. The Franchisee shall pay and/or reimburse the Franchisor for the reasonable costs of investigation in determining whether such menu items, products, recipes, services, materials, forms, merchandise, or supplies meet the Franchisor's specifications. The Franchisor will advise the Franchisee within a reasonable time whether such menu items, products, recipes, services, materials, forms, merchandise or supplies meet the Franchisor's specifications.

14.5 Approved Suppliers. The Franchisee shall purchase all roasted coffee, merchandise, products, equipment, materials, supplies and services required for the operation of the BAD ASS COFFEE OF HAWAII Shop from the Franchisor, from the Franchisor's affiliates, from suppliers designated or approved by the Franchisor.

14.6 Request to Approve Supplier. If the Franchisee desires to purchase or use items of inventory, equipment, supplies, materials or services from suppliers other than those previously approved by the Franchisor, the Franchisee shall, prior to purchasing from or otherwise utilizing any supplier give the Franchisor a written request to approve the supplier. If the Franchisor rejects the Franchisee's requested new supplier, the Franchisor must notify the Franchisee in writing within 30 days of Franchisor's receipt of the Franchisee's request to approve the supplier. The Franchisor may continue from time to time to inspect any suppliers' facilities and products to assure compliance with the Franchisor's standards and specifications. Permission for such inspection shall be a condition of the continued approval of such supplier. The Franchisor will not unreasonably withhold approval of the supplier; however, in order to make such determination, the Franchisor may require that samples from a proposed new supplier be delivered to the Franchisor for testing prior to approval and use. A charge not to exceed the reasonable cost of investigation may be made by the Franchisor and shall be paid by the Franchisee. Approval of a supplier may be revoked upon 30 days prior written notice of the reason for revocation of the approval of a supplier.

14.7 Shopping Service. The Franchisor reserves the right to use third party shopping services from time to time to evaluate the operation and quality of the Franchisee's BAD ASS COFFEE OF HAWAII Shop,

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including such things as the quality of the drinks and food served, the services rendered, product availability, customer service, cleanliness, merchandising and proper use of computers and registers. The Franchisor may use such shopping services to evaluate the Franchisee's BAD ASS COFFEE OF HAWAII Shop at any time at the Franchisor's expense, without prior notification to the Franchisee. The Franchisor may make the results of any such evaluation available to the Franchisee, in the Franchisor's sole discretion.

15. MARKS, TRADE NAMES AND PROPRIETARY INTERESTS

15.1 **Marks**. The Franchisee acknowledges that the Franchisor has the sole right to own, license and control the Franchisee's use of the "BAD ASS COFFEE OF HAWAII" trademark and other of the Marks, and that such Marks shall remain under the sole and exclusive ownership and control of the Franchisor. The Franchisee shall display the Marks prominently at the Shop premises and on packaged coffee and merchandise and in connection with forms, advertising and marketing, all in a manner as the Franchisor shall reasonably prescribe. The Franchisee acknowledges that it has not acquired any right, title or interest in such Marks except for the right to use such marks in the operation of its BAD ASS COFFEE OF HAWAII Shop as it is governed by this Agreement. Except as permitted in the Operations Manual, the Franchisee shall not use any of the Marks as part of an electronic mail address, or on any websites or electronic apps, and the Franchisee shall not use or register any of the Marks as part of a domain name or as a social media handle on the Internet.

15.2 **No Use of Other Marks**. No service marks other than "BAD ASS COFFEE OF HAWAII" or such other Marks as may be specified by the Franchisor shall be used in the identification, marketing, promotion or operation of the BAD ASS COFFEE OF HAWAII Shop.

15.3 **Licensed Methods**. The Franchisee acknowledges that the Franchisor owns and controls the distinctive plan for the establishment, operation and promotion of the BAD ASS COFFEE OF HAWAII Shop and all related licensed methods of doing business, previously defined as the "**Licensed Methods**," which include, but are not limited to, the Franchisor's standards and specifications for the franchised site, premises, leasehold improvements, interior finish, interior décor, furnishings, equipment, menu items, recipes, drink blends, merchandise, supplies, materials, inventory type and control, technical equipment standards, order fulfillment methods, customer relations, marketing techniques, written promotional materials, advertising, accounting systems, and service delivery methods, all of which constitute confidential trade secrets of the Franchisor. The Franchisee acknowledges that the Franchisor has valuable rights in and to such trade secrets. The Franchisee further acknowledges that it has not acquired any right, title or interest in the Licensed Methods except for the right to use the Licensed Methods in the operation of the BAD ASS COFFEE OF HAWAII Shop as it is governed by this Agreement and that it is obligated to maintain the confidentiality of the Licensed Methods in accordance with Section 21.3 below.

15.4 **Mark Infringement**. The Franchisee shall notify the Franchisor in writing of any possible infringement or illegal use by others of a trademark the same as or confusingly similar to the Marks which may come to its attention. The Franchisee acknowledges that the Franchisor shall have the right, in its sole discretion, to determine whether any action will be taken on account of any possible infringement or illegal use. The Franchisor may commence or prosecute such action in the Franchisor's own name and may join the Franchisee as a party to the action if the Franchisor determines it to be reasonably necessary for the continued protection and quality control of the Marks and Licensed Methods. The Franchisor shall bear the reasonable cost of any such action, including attorneys' fees. The Franchisee must fully cooperate with the Franchisor in any such litigation. The Franchisor shall indemnify and hold the Franchisee harmless from, and reimburse the Franchisee for, any loss, liability, claim or damages (collectively, the "**Claims**"), and all reasonable costs, expenses and attorneys' fees incurred defending any Claims brought against the Franchisee, or in any action in which the Franchisee is named as a party, which arises out of or is related to the Franchisee's authorized use of any Mark or copyrighted work of the Franchisor, which use is in

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compliance with the terms of this Agreement. The Franchisee shall timely notify the Franchisor of any Claims for which it is seeking indemnity hereunder. The Franchisor, at its option, shall be entitled to control the defense of any action or proceeding involving any Claims.

15.5 Franchisee's Business Name and Domain Name. The Franchisee acknowledges that the Franchisor has a prior and superior claim to the "BAD ASS COFFEE OF HAWAII" trade name. The Franchisee shall not use the words "BAD ASS COFFEE OF HAWAII" or any derivative of the words "BAD ASS COFFEE OF HAWAII" in the legal name of its corporation, limited liability company or any other business entity used in conducting the business provided for in this Agreement. The Franchisee also agrees not to register or attempt to register an Internet domain name or a trade name with a state using the words "BAD ASS COFFEE OF HAWAII" or a derivative of the words "BAD ASS COFFEE OF HAWAII" unless such registration meets the Franchisor's specifications and the Franchisee obtains the Franchisor's prior written consent. When this Agreement expires or terminates, the Franchisee shall execute any assignment or other document the Franchisor requires to transfer to the Franchisor any rights the Franchisee may possess in a trade name or an Internet domain name utilizing the words "BAD ASS COFFEE OF HAWAII" or any other Mark owned by the Franchisor. The Franchisee shall not identify itself as being "BAD ASS COFFEE OF HAWAII" or as being associated with the Franchisor in any manner other than as a franchisee or licensee or as being associated with any affiliate of the Franchisor. The Franchisee shall, in all advertising and promotion and promotional materials, display its business name only in obvious conjunction with the phrase "BAD ASS COFFEE OF HAWAII Licensee" or "BAD ASS COFFEE OF HAWAII Franchisee" or with such other words and in such other phrases to identify itself as an independent owner of the BAD ASS COFFEE OF HAWAII Shop, as may from time to time be prescribed in the Operations Manual.

15.6 Change of Marks and Licensed Methods. The Franchisor may in its sole discretion, discontinue, change, modify or alter the Marks and the Licensed Methods by among other things, adopting or developing new trademarks, trade names, service marks, copyrighted materials, new menu items, services or products, new furnishings, equipment, new signage or new operational techniques ("**Alterations**"). If the Franchisor shall make any Alterations to the Marks or Licensed Methods, the Franchisee shall, within a reasonable time after receipt of written notice of such Alteration from the Franchisor, take such action, at the Franchisee's sole expense, as may be necessary to comply with such required Alteration. The Franchisee shall not unilaterally change, alter or modify the Marks or Licensed Methods in any way without the Franchisor's prior written consent which may be withheld in the Franchisor's sole discretion. The Franchisee's approved changes or improvements to the Licensed Methods or the Marks shall inure to the exclusive benefit of the Franchisor.

15.7 Creative Ownership. All copyrightable works created by the Franchisee or any of its owners, officers or employees in connection with the Shop shall be the sole property of the Franchisor. The Franchisee assigns all proprietary rights, including copyrights, in these works to the Franchisor without additional consideration. The Franchisee hereby assigns and will execute such additional assignments or documentation to effectuate the assignment of all intellectual property, inventions, copyrights and trade secrets developed in part or in whole in relation to the Shop, during the term of this Agreement, as the Franchisor may deem necessary in order to enable it, at its expense, to apply for, prosecute and obtain copyrights, patents or other proprietary rights in the United States and in foreign countries or in order to transfer to the Franchisor all right, title, and interest in said property. The Franchisee shall promptly disclose to the Franchisor all inventions, discoveries, improvements, creations, patents, copyrights, trademarks and confidential information relating to the Shops and the Licensed Methods which it or any of its owners, officers or employees has made or may make solely, jointly or commonly with others and shall promptly create a written record of the same. In addition to the foregoing, the Franchisee acknowledges and agrees that any improvements or modifications directly or indirectly related to the Shop, whether or not

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copyrightable, shall be deemed to be a part of the Licensed Methods and shall inure to the benefit of the Franchisor.

15.8 Alterations for Protection of Marks. The Franchisor may, in its sole discretion but with reasonable notice to the Franchisee, enter into the Franchised Location to make any Alterations required for the protection of the Marks and Licensed Methods, including but not limited to the signs, furniture, fixtures, trade dress or décor of the Shop, if the Franchisee refuses to make any Alterations required by the Operations Manual or under the terms of this Agreement. If the Franchisor elects to make such Alteration on the Franchisee's behalf, the Franchisor reserves the right to charge the Franchisee for all expenses incurred by the Franchisor in connection with such Alteration including the Franchisor's travel, lodging, living expenses, telephone charges and other identifiable expenses (such as construction and materials), plus a fee based on the time spent by each of Franchisor's employees or agents on behalf of the Franchisee.

16. REPORTS, RECORDS AND FINANCIAL STATEMENTS

16.1 Franchisee Reports. The Franchisee shall establish and maintain, at its own expense, bookkeeping, accounting and data processing systems which conform to the specifications that the Franchisor may prescribe from time to time. Each transaction of the Shop shall be processed in the manner prescribed by the Franchisor. The Franchisor shall have the right of independent access to all data with respect to the Shop. The Franchisor reserves the right to require the Franchisee to provide the Franchisor with access to the Franchisee's data by joining and paying for an electronic network connection service which meets the Franchisor's standards and specifications. The Franchisee shall supply to the Franchisor such types of reports in a manner and form as the Franchisor may from time to time reasonably require, including:

a. On two designated days each month, a report on the Shop's Net Sales for the previous period for the purpose of calculating Royalties and National Marketing Fund contribution. These reports are pulled automatically by the Franchisor from the company's Point of Sale System (POS). The Franchisee is not required to submit these reports, unless there are additional sources of outside revenue to the shop. In this instance, the Franchisee is require to report and provide documentation for all sources of revenue within 48 hours of the close of the royalty reporting period.

b. quarterly financial statements, prepared in accordance with generally accepted accounting principles ("**GAAP**"), consistently applied, using the forms and templates specified by the Franchisor, which shall include a profit and loss statement and balance sheet for the BAD ASS COFFEE OF HAWAII Shop or for the Franchisee entity, emailed or otherwise forwarded to the Franchisor by no later than the 15th day following the end of each calendar quarter, based on operating results of the previous quarter, which shall be submitted in a form approved by the Franchisor;

c. within 15 days after the end of each calendar quarter, a report on the Franchisee's local advertising expenditures, if local advertising expenditures are required as described in Section 13.3 of this Agreement, and such reports will be submitted in the Franchisor's prescribed format;

d. within 90 days after the end of the Franchisee's fiscal year, a balance sheet and profit and loss statement prepared for the Shop for such year;

e. within 90 days after the end of the Franchisee's fiscal year, proof of insurance coverage in the amounts and types of insurance as required in Section 22.1 of this Agreement; and

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f. any other data, information and supporting records reasonably requested by the Franchisor from time to time, including without limitation, daily, weekly, bi-monthly or monthly reports of inventory and sales by category.

16.2 Financial Records Use and Access. The Franchisor reserves the right to disclose data derived from all financial and accounting reports received from the Franchisee to the other franchisees and affiliates in the BAD ASS COFFEE OF HAWAII system with information identifying the Franchisee. The Franchisor also reserves the right to disclose data derived from the Franchisee's financial and accounting reports to parties outside of the BAD ASS COFFEE OF HAWAII system, without identifying the Franchisee, except to the extent identification of the Franchisee is required by law. The Franchisee consents to the Franchisor obtaining financial and account information regarding the Shop and its operations from third parties with whom the Franchisee does business, as and when deemed necessary by the Franchisor.

16.3 Verification. Each report and financial statement to be submitted to the Franchisor pursuant to this Agreement shall be signed manually or electronically, as the case may be, and verified by the Franchisee.

16.4 Books and Records. The Franchisee shall maintain all books and records for its BAD ASS COFFEE OF HAWAII Shop in a manner as reasonably prescribed by the Franchisor, shall prepare all annual balance sheets and profit and loss statements in accordance with GAAP, consistently applied, and shall preserve these records for at least five years after the fiscal year to which they relate.

16.5 Audit of Books and Records. The Franchisee shall permit the Franchisor to inspect and audit the books and records of the BAD ASS COFFEE OF HAWAII Shop at any reasonable time, at the Franchisor's expense. If any audit discloses a deficiency in amounts for payments owed to the Franchisor pursuant to this Agreement, then such amounts shall become immediately payable to the Franchisor by the Franchisee, with interest from the date such payments were due at the lesser of 1½% per month or the maximum rate allowed by law. If any audit discloses an overpayment by the Franchisee to the Franchisor, the Franchisor shall credit the overpayment from the next and subsequent Royalty payments until the full amount of the overpayment has been satisfied. If the Franchisee (1) fails to furnish required reports or supporting records on a timely basis for two or more consecutive reporting periods; (2) fails to have the books and records available for an audit after receiving reasonable, advance notice from the Franchisor; (3) otherwise fails to cooperate with the Franchisor's requested audit, or (4) understates its Net Sales for the period of any audit by greater than 3%, then the Franchisee shall reimburse the Franchisor for the cost of such audit or inspection, including, without limitation, the charges of attorneys and any independent accountants and the travel expenses, room and board and compensation of the Franchisor's employees.

17. TRANSFER

17.1 Transfer by Franchisee. The franchise granted herein is personal to the Franchisee and, except as stated below, the Franchisor shall not allow or permit any transfer, assignment, subfranchise or conveyance of this Agreement or any interest hereunder. As used in this Agreement, the term "**transfer**" shall mean and include the voluntary, involuntary, direct or indirect assignment, sale, gift, merger, consolidation, exchange or other disposition by the Franchisee (or any of its owners) of any interest in: (1) this Agreement; (2) the ownership of the Franchisee, if the Franchisee is an entity or consists of more than one individual; or (3) the Shop or any assets of the Shop. A "**transfer**" shall also include all transfers resulting from a divorce, insolvency, corporate or partnership dissolution proceeding, consolidation, exchange, public or private offering of stock or other ownership interests in an entity, merger or otherwise by operation of law or, in the event of the death of the Franchisee, or an owner of the Franchisee by will, declaration of or transfer in trust or under the laws of intestate succession.

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17.2 Pre-Conditions to Franchisee's Transfer. The Franchisee shall not engage in a transfer, as defined above, unless the Franchisee obtains the Franchisor's written consent and complies with the following requirements:

a. Payment of all amounts due and owing pursuant to this Agreement by the Franchisee to the Franchisor or its affiliates and payment of all amounts due and owing to third parties holding a security interest in any asset of the franchised business;

b. Agreement by the proposed transferee to satisfactorily complete the initial training program described in this Agreement, which training may be completed by the transferee either prior to or immediately after assignment of this Agreement;

c. Execution by the transferee of a Franchise Agreement in a form then currently offered by the Franchisor, which shall supersede this Agreement in all respects. If a new Franchise Agreement is signed, the terms thereof may differ from the terms of this Agreement; provided, however, the transferee will not be required to pay any initial franchise fee;

d. Provision by the Franchisee of written notice to the Franchisor at least 90 days prior to the proposed effective date of the transfer, such notice to contain information reasonably detailed to enable the Franchisor to evaluate the terms and conditions of the proposed transfer. If the Franchisee is an entity and one or more owners of the Franchisee entity wish to transfer, sell, assign, or otherwise dispose of his or her interest in the Franchisee entity or if the Franchisee entity wishes to make a public or private offer of its stock or other ownership interests, the Franchisee must submit to Franchisor at least 90 days in advance of the proposed effective date, and obtain Franchisor's prior written approval, of the documents effectuating the transfer, sale, assignment, offering or disposition;

e. The proposed transferee shall have provided information to the Franchisor sufficient for the Franchisor to assess the proposed transferee's business experience, aptitude and financial qualification, and the Franchisor shall have ascertained that the proposed transferee meets such qualifications;

f. Execution by Franchisee of a general release, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor, its affiliates and their respective officers, directors, employees and agents;

g. Payment by the Franchisee or the proposed transferee of $10,000; and

h. Agreement by the Franchisee to abide by the post-termination covenant not to compete set forth in Section 21.2 below.

The Franchisor will not unreasonably withhold, delay or condition its consent to any proposed transfer by the Franchisee which requires the Franchisor's consent under this Section 17.2.

17.3 Franchisor's Approval of Transfer. The Franchisor has 90 days from the date of the written notice of the proposed transfer to approve or disapprove in writing, of the Franchisee's proposed transfer. The Franchisee acknowledges that the proposed transferee shall be evaluated for approval by the Franchisor based on the same criteria as is currently being used to assess new franchisees of the Franchisor and that such proposed transferee shall be provided, if appropriate, with such disclosures as may be required by state or federal law. If the Franchisee and the proposed transferee comply with all conditions for assignment set forth herein and the Franchisor has not given the Franchisee notice of its approval or disapproval within the

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90-day period, approval is deemed granted. The Franchisor's approval of any transfer shall not constitute approval for any subsequent transfer or a waiver of any of the Franchisor's rights under this Article 17.

17.4 Right of First Refusal. If the Franchisee wishes to transfer its rights under this Agreement or any interest in it, or any part or portion of any business entity that owns it, or all or a substantial portion of the assets of the BAD ASS COFFEE OF HAWAII Shop, the Franchisee agrees to grant to the Franchisor a 90-day right of first refusal to purchase such rights, interest or assets on the same terms and conditions as are contained in the written offer to purchase submitted to the Franchisee by the proposed purchaser; provided, however, the following additional terms and conditions shall apply:

a. The Franchisee shall notify the Franchisor of such offer by sending a written notice to the Franchisor (which notice may be the same notice as required by Section 17.2.d. above), enclosing a copy of the written offer from the proposed purchaser;

b. The 90-day right of first refusal period will run concurrently with the period in which the Franchisor has to approve or disapprove the proposed transferee;

c. Such right of first refusal is effective for each proposed transfer and any material change in the terms or conditions of the proposed transfer shall be deemed a separate offer on which a new 90-day right of first refusal shall be given to the Franchisor;

d. If the consideration or manner of payment offered by a third party is such that the Franchisor may not reasonably be required to furnish the same, then the Franchisor may purchase the interest which is proposed to be sold for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the cash consideration, an independent appraiser shall be designated by the Franchisor, whose determination will be binding upon the parties. All expenses of the appraiser shall be paid for equally between the Franchisor and the Franchisee; and

e. If the Franchisor chooses not to exercise its right of first refusal, the Franchisee shall be free to complete the sale, transfer or assignment, subject to compliance with Sections 17.2 and 17.3 above. Absence of a reply to the Franchisee's notice of a proposed sale within the 90-day period is deemed a waiver of such right of first refusal.

17.5 Specific Types of Transfers. The Franchisee acknowledges that the Franchisor's right to approve or disapprove of a proposed sale or transfer, and all other requirements and rights related to such proposed sale or transfer, as provided for above, shall apply (1) if the Franchisee is a partnership or other business association, to the addition or deletion of a partner or members of the association or the transfer of any partnership or membership among existing partners or members; (2) if the Franchisee is a corporation or limited liability company, to any proposed transfer or assignment of 25% or more of the ownership interests of the Franchisee, whether such transfer occurs in a single transaction or several transactions; and (3) if the Franchisee is an individual, to the transfer from such individual or individuals to a corporation or limited liability company controlled by them, in which case the Franchisor's approval will be conditioned upon: (i) the continuing personal guarantee of the individual (or individuals) for the performance of obligations under this Agreement; (ii) the issuance and/or transfer of ownership interests which would affect a change in ownership of 25% or more of the stock or membership units in the company being conditioned on the Franchisor's prior written approval; (iii) a limitation on the company's business activity to that of operating the BAD ASS COFFEE OF HAWAII Shop and related activities; and (iv) other reasonable conditions. With respect to a proposed transfer as described in subsections (1) and (3) of this Section, the Franchisor's right of first refusal to purchase, as set forth above, shall not apply and the Franchisor will waive any transfer fee chargeable to the Franchisee for a transfer under these circumstances.

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17.6 **Assignment by the Franchisor**. This Agreement is fully assignable by the Franchisor and shall inure to the benefit of any assignee or other legal successor in interest, and the Franchisor shall in such event be fully released from the same.

17.7 **Franchisee's Death or Disability**. Upon the death or permanent disability of the Franchisee (or the individual controlling the Franchisee entity), the executor, administrator, conservator, guardian or other personal representative (the "**Representative**") of such person shall transfer the Franchisee's interest in this Agreement or such interest in the Franchisee entity to an approved third party. Such disposition of this Agreement or such interest (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed 180 days from the date of death or permanent disability, and shall be subject to all terms and conditions applicable to transfers contained in this Article 17. Failure to transfer the interest in this Agreement or such interest in the Franchisee entity within said period of time shall constitute a breach of this Agreement. For the purposes hereof, the term "**permanent disability**" shall mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent the Franchisee or the owner of a controlling interest in the Franchisee entity from supervising the management and operation of the BAD ASS COFFEE OF HAWAII Shop for a period of 120 days from the onset of such disability, impairment or condition. Any transfer made to an approved party by bequest or inheritance pursuant to this Section 17.7 shall not be subject to Section 17.4, provided that the transferee meets the applicable terms and conditions contained in this Article 17. If a transfer is made outside of a bequest or inheritance, such transfer will be subject to Section 17.4.

17.8 **Management Option**. The Franchisor will have the option to temporarily manage the Shop if the Franchisee, the individual controlling the Franchisee entity, or the Principal Manager of the Shop, die or become permanently disabled, as defined above, during the term of this Agreement. The Franchisor will notify the Franchisee or the Representative in writing that the Franchisor is exercising its option to assume temporary management of the Shop for a management fee payable to the Franchisor in addition to and subject to the same payment terms, as the Royalty. The Franchisee will cooperate with the Franchisor in the management of the Shop, including but not limited to, giving the Franchisor bank records, tax payment records, supplier records, and the like. During the temporary management period, the Franchisee will be obligated to cure any defaults under the terms of this Agreement and the Franchisor will continue to be able to exercise all remedies available to it, including the right to terminate this Agreement for uncured defaults occurring during the temporary management period.

18. TERM AND EXPIRATION

18.1 **Term**. The term of this Agreement is for a period of 10 years from the date of this Agreement, unless sooner terminated as provided herein.

18.2 **Continuation**. If for any reason, the Franchisee continues to operate the Shop beyond the term of this Agreement or any subsequent renewal period, it shall be deemed to be on a month-to-month basis under the terms of this Agreement and subject to termination upon 30 days' notice or as required by law. If said hold-over period exceeds 90 days, this Agreement is subject to immediate termination unless applicable law requires a longer period. Upon termination after any hold-over period, the Franchisee and those in active concert with the Franchisee, including family members, officers, directors, partners and managing agents, are subject to the terms of Sections 19.3, 19.4, 21.2 and 21.3 of this Agreement and all other applicable post-termination obligations contained in this Agreement.

18.3 **Rights Upon Expiration**. At the end of the initial term hereof, the Franchisee shall have the option to renew its franchise rights for an additional term of 10 years, by acquiring successor franchise rights, if the Franchisor does not exercise its right not to offer a successor franchise in accordance with Section 18.5 below and if the Franchisee:

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a. At least 30 days prior to expiration of the term, executes the form of Franchise Agreement then in use by the Franchisor;

b. Has substantially complied with all provisions of this Agreement during the current term, including the payment on a timely basis of all Royalties, National Marketing Contributions and other fees due hereunder. "**Compliance**" shall mean, at a minimum, that the Franchisee has not received any written notification from the Franchisor of breach hereunder more than three times during the term hereof;

c. Upgrades or remodels the BAD ASS COFFEE OF HAWAII Shop and its operations at the Franchisee's sole expense (the necessity of which shall be in the sole discretion of the Franchisor) to conform with the then current Operations Manual;

d. Executes a general release, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor and its affiliates, and their respective officers, directors, employees and agents arising out of or relating to this Agreement; and

e. Pays a successor franchise fee of $5,000.

18.4 Exercise of Option for Successor Franchise. The Franchisee may exercise its option for a successor franchise by giving written notice of such exercise to the Franchisor not later than 180 days prior to the scheduled expiration of this Agreement. The Franchisee's successor franchise rights shall become effective by signing the Franchise Agreement then currently being offered to new franchisees of the Franchisor. The terms of the then current franchise agreement shall govern the renewal term except that the Franchisee will not have to pay another initial franchise fee.

18.5 Conditions of Refusal. The Franchisor shall not be obligated to offer the Franchisee a successor franchise upon the expiration of this Agreement if the Franchisee fails to comply with any of the above conditions of renewal. In such event (except for failure to execute the then current Franchise Agreement or pay the successor franchise fee), the Franchisor shall give notice of expiration at least 150 days prior to the expiration of the term, and such notice shall set forth the reasons for such refusal to offer successor franchise rights. Upon the expiration of this Agreement, the Franchisee shall comply with the provisions of Section 19.4 below.

19. DEFAULT AND TERMINATION

19.1 Termination by Franchisor - Effective Upon Notice. The Franchisor shall have the right, at its option, to terminate this Agreement and all rights granted the Franchisee hereunder, without affording the Franchisee any opportunity to cure any default (subject to any state laws to the contrary, where state law shall prevail), effective upon written notice to the Franchisee, addressed as provided in Section 23.12 upon the occurrence of any of the following events:

a. **Abandonment**. If the Franchisee ceases to operate the BAD ASS COFFEE OF HAWAII Shop or otherwise abandons the BAD ASS COFFEE OF HAWAII Shop for a period of three consecutive days, or any shorter period that indicates an intent by the Franchisee to discontinue operation of the BAD ASS COFFEE OF HAWAII Shop, unless and only to the extent that full operation of the BAD ASS COFFEE OF HAWAII Shop is suspended or terminated due to fire, flood, earthquake or other similar causes beyond the Franchisee's control and not related to the availability of funds to the Franchisee;

b. **Insolvency; Assignments**. If the Franchisee becomes insolvent or is adjudicated a bankrupt; or if any action is taken by the Franchisee, or by others against the Franchisee under any

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insolvency, bankruptcy or reorganization act, (this provision may not be enforceable under federal bankruptcy law, 11 U.S.C. §§ 101 et seq.); or if the Franchisee makes an assignment for the benefit of creditors or a receiver is appointed by the Franchisee;

c. **Unsatisfied Judgments; Levy; Foreclosure**. If any material judgment (or several judgments which in the aggregate are material) is obtained against the Franchisee and remains unsatisfied or of record for 30 days or longer (unless a supersedeas or other appeal bond has been filed); or if execution is levied against the Franchisee's business or any of the property used in the operation of the BAD ASS COFFEE OF HAWAII Shop and is not discharged within five days; or if the real or personal property of the Franchisee's business shall be sold after levy thereupon by any sheriff, marshal or constable;

d. **Criminal Conviction**. If the Franchisee is convicted of a felony, a crime involving moral turpitude, or any crime or offense that is reasonably likely, in the sole opinion of the Franchisor, to materially and unfavorably affect the Licensed Methods, Marks, goodwill or reputation thereof;

e. **Failure to Make Payments**. If the Franchisee fails to pay any Royalties, National Marketing Contributions, inventory payments, merchandise or other product payments or any other amounts due the Franchisor or its affiliates, including any amounts which may be due as a result of any subleases or lease assignments between the Franchisee and the Franchisor, within 10 days after receiving notice that such fees or amounts are overdue;

f. **Repeated Insufficiency of Funds**. If there are insufficient funds in the Franchisee's bank account and/or EFT account to cover a check or electronic transfer payment due to the Franchisor or its affiliates under this Agreement three (3) or more times within any twelve (12) month period, regardless of whether and when the Franchisee has cured such insufficiencies;

g. **Misuse of Marks**. If the Franchisee misuses or fails to follow the Franchisor's directions and guidelines concerning use of the Franchisor's Marks and fails to correct the misuse or failure within 10 days after notification from the Franchisor;

h. **Unauthorized Disclosure**. If the Franchisee intentionally or negligently discloses to any unauthorized person the contents of or any part of the Franchisor's Operations Manual or any other trade secrets or confidential information of the Franchisor;

i. **Repeated Noncompliance**. If the Franchisee has received two previous notices of default from the Franchisor and is again in default of this Agreement within a 12-month period, regardless of whether the previous defaults were cured by the Franchisee; or

j. **Unauthorized Transfer**. If the Franchisee sells, transfers or otherwise assigns any of the following without complying with the provisions of Article 17 above: the Franchisee's rights under this Agreement; an interest in the Franchisee's rights under this Agreement; any or all interests in the Franchisee entity; an interest in the lease or real property rights for the Franchised Location; or a material portion of the assets of the BAD ASS COFFEE OF HAWAII Shop.

19.2 Termination by Franchisor - Thirty Days' Notice. The Franchisor shall have the right to terminate this Agreement (subject to any state laws to the contrary, where state law shall prevail), effective upon 30 days written notice to the Franchisee, if the Franchisee breaches any other provision of this Agreement, any related agreement or the Operations Manual and fails to cure the default during such 30-

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day period. In that event, this Agreement will terminate without further notice to the Franchisee, effective upon expiration of the 30-day period. Defaults shall include, but not be limited to, the following:

a. **Failure to Maintain Standards**. The Franchisee fails to maintain the then current operating procedures and adhere to the specifications and standards established by the Franchisor as set forth herein or in the Operations Manual or otherwise communicated to the Franchisee;

b. **Deceptive Practices**. The Franchisee engages in any unauthorized business or practice or sells any unauthorized product or service under the Franchisor's Marks or under a name or mark which is confusingly similar to the Franchisor's Marks;

c. **Failure to Obtain Consent**. The Franchisee fails, refuses or neglects to obtain the Franchisor's prior written approval or consent as required by this Agreement;

d. **Failure to Comply with Manual**. The Franchisee fails or refuses to comply with the then-current requirements of the Operations Manual;

e. **Breach of Related Agreement**. The Franchisee defaults under any term of any sublease or lease assignment for the Franchised Location, any product supply agreement, any security agreement, any other agreement material to the BAD ASS COFFEE OF HAWAII Shop or any other Franchise Agreement, Development Agreement or other contract or agreement between the Franchisor, on the one hand, and the Franchisee or a Franchisee affiliate, on the other hand, and such default is not cured within the time specified in such sublease, product supply agreement, other agreement, contract or other Franchise Agreement. The Franchisor will provide the Franchisee the same cure rights with respect to defaults under such other agreements with the Franchisor as the Franchisee has under this Agreement;

f. **Failure to Communicate**. The Franchisee fails, refuses, or neglects to communicate with or respond to the Franchisor's communications directed to the Franchisee by telephone, electronic mail or otherwise in writing, within five business days.

g. **Failure to Provide Reports**. The Franchisee fails to comply with the reporting obligations set forth in Section 16.1 of this Agreement;

h. **Failure to Comply with Opening Process**. The Franchisee fails to comply with any of the Franchisor's requirements or processes related to the buildout, construction, or opening of the Shop, including but not limited to the failure to complete all items on the "Construction Punch List" or any other related obligations; or

i. **Failure to Comply with Brand Standards**. The Franchisee fails to comply with any of the Franchisor's brand standards as set forth in the Operations Manual or otherwise in writing, including the failure to use approved suppliers or equipment, or the failure to offer designated menu items.

j. **Failure to Remodel**. The franchisee fails to comply with the requirement to remodel their shop within the required period of time to commence and complete the remodel.

Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within the 30-day period and the Franchisee has commenced and is continuing to make good faith efforts to cure the breach during the 30-day period, the Franchisee shall be given an additional reasonable period

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of time to cure the breach, and this Agreement shall not automatically terminate without written notice from the Franchisor.

19.3 Option to Purchase. Upon termination or expiration of this Agreement for any reason, the Franchisor shall have the option to purchase the BAD ASS COFFEE OF HAWAII Shop or all or a portion of the assets of the Shop, which may include, at the Franchisor's option, all of the Franchisee's interest, if any, in and to the real estate upon which the BAD ASS COFFEE OF HAWAII Shop is located, and all buildings and other improvements thereon, including leasehold interests, at fair market value, less any amount apportioned to the goodwill of the BAD ASS COFFEE OF HAWAII Shop which is attributable to the Franchisor's Marks and Licensed Methods, and less any amounts owed to the Franchisor by the Franchisee. The following additional terms shall apply to the Franchisor's exercise of this option:

a. The Franchisor's option hereunder shall be exercisable by providing the Franchisee with written notice of its intention to exercise the option given to the Franchisee no later than the effective date of termination, in the case of termination, or at least 90 days prior to the expiration of the term of the franchise, in the case of non-renewal;

b. If the Franchisor and the Franchisee cannot agree on the fair market value of the BAD ASS COFFEE OF HAWAII Shop, then the fair market value shall be determined by an independent third-party appraisal. The Franchisor and the Franchisee shall each select one independent, qualified appraiser, and the two so selected shall select a third appraiser, all three to determine the fair market value of the BAD ASS COFFEE OF HAWAII Shop. The purchase price shall be the median of the fair market values as determined by the three appraisers operating independently. The parties shall bear the expenses of their selected appraiser and shall evenly split the expenses of the third appraiser.

c. In the event that Franchisee elects not to select an indepdenent appraiser to determine the fair market value of the Shop as described above, then either (a) the valuation of the Franchisor's appraiser(s) shall be final and binding, or (b) Franchisor shall have the right to elect not to exercise its option to purchase the BAD ASS COFFEE OF HAWAII Shop.

d. The Franchisor and the Franchisee agree that the terms and conditions of this right and option to purchase may be recorded, if deemed appropriate by the Franchisor, in the real property records and the Franchisor and the Franchisee further agree to execute such additional documentation as may be necessary and appropriate to effectuate such recording; and

e. The Franchisor shall set the closing for the purchase of the BAD ASS COFFEE OF HAWAII Shop to take place no later than 60 days after the termination or nonrenewal date. At the Franchisor's option, the Franchisee shall continue the Shop operations by extension of this Agreement through the closing date. The Franchisor will pay the purchase price in full at the closing, or, at its option, in 12 equal consecutive monthly installments with interest at a rate of 10% per annum. The Franchisee must sign all documents of assignment and transfer as are reasonably necessary for purchase of the BAD ASS COFFEE OF HAWAII Shop or its assets by the Franchisor.

f. If the Franchisor does not exercise the Franchisor's right to purchase the Franchisee's BAD ASS COFFEE OF HAWAII Shop as set forth above, the Franchisee will be free to keep or to sell, after such termination or expiration, to any third party, all of the physical assets of its BAD ASS COFFEE OF HAWAII Shop; provided, however, that all appearances of the Marks and the Franchisor's color scheme and trade dress are first removed in a manner approved in writing by the Franchisor.

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19.4 **Obligations of Franchisee Upon Termination or Expiration**. The Franchisee is obligated upon termination or expiration of this Agreement to immediately:

a. Pay to the Franchisor all Royalties, National Marketing Contributions, other fees, and any and all amounts or accounts payable then owed the Franchisor or its affiliates pursuant to this Agreement, or pursuant to any other agreement, whether written or oral, including subleases and lease assignments, between the parties;

b. Cease to identify itself as a BAD ASS COFFEE OF HAWAII franchisee or publicly identify itself as a former Franchisee or use any of the Franchisor's trade secrets, signs, symbols, devices, trade names, trademarks or other materials;

c. If the Franchisor does not exercise its option to purchase described in Section 19.3 above, cease to identify the Franchised Location as being, or having been, associated with the Franchisor and, if deemed necessary by the Franchisor, paint or otherwise change the interior and exterior of the Shop to distinguish it from a BAD ASS COFFEE OF HAWAII Shop and immediately cease using any proprietary mark of the Franchisor or any mark in any way associated with the Marks and Licensed Methods;

d. Deliver to the Franchisor all signs, sign-faces, advertising materials, forms and other materials bearing any of the Marks or otherwise identified with the Franchisor and obtained by and in connection with this Agreement;

e. Immediately deliver to the Franchisor, the Operations Manual and all other information, software, documents and copies thereof which are proprietary to the Franchisor, including but not limited to, all client lists and related client information contained in computer databases or otherwise;

f. Promptly take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to its use of any Marks which are under the exclusive control of the Franchisor or, at the option of the Franchisor, assign the same to the Franchisor;

g. Notify the telephone company and all telephone directory publishers of the termination or expiration of the Franchisee's right to use any telephone number and any regular, classified or other telephone directory listings associated with any Mark and to authorize transfer thereof to the Franchisor or its designee. The Franchisee acknowledges that, as between the Franchisee and the Franchisor, the Franchisor has the sole rights to and interest in all telephone, facsimile machine numbers and directory listings associated with any Mark. The Franchisee authorizes the Franchisor, and hereby appoints the Franchisor and any of its officers as the Franchisee's attorney-in-fact, to direct the telephone company and all telephone directory publishers to transfer any telephone, facsimile machine numbers and directory listings relating to the BAD ASS COFFEE OF HAWAII Shop to the Franchisor or its designee, should the Franchisee fail or refuse to do so, and the telephone company and all telephone directory publishers may accept such direction or this Agreement as conclusive of the Franchisor's exclusive rights in such telephone numbers and directory listings and the Franchisor's authority to direct their transfer;

h. If applicable, take such action as may be required to remove from the Internet all sites referring to the Franchisee's former BAD ASS COFFEE OF HAWAII Shop or any of the Marks and to cancel or assign to the Franchisor, in the Franchisor's sole discretion, all rights to any domain names for any sites on the Internet that refer to the Franchisee's former BAD ASS COFFEE OF HAWAII Shop or any of the Marks; and

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i. Abide by all restrictive covenants set forth in Article 21 of this Agreement and, if exercised by the Franchisor, the Franchisor's option to purchase described in Section 19.3 of this Agreement.

19.5 Acknowledgement. If this Agreement is terminated by the Franchisor prior to its expiration as set forth in Sections 19.1 and 19.2 above, the Franchisee acknowledges and agrees that, in addition to all other available remedies, the Franchisor shall have the right to recover lost future royalties during any period in which the Franchisee fails to pay such royalties through and including the remainder of the then current term of this Agreement or for 18 months following the Termination Date, whichever is less.

19.6 State and Federal Law. THE PARTIES ACKNOWLEDGE THAT IF THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE STATE OR FEDERAL LAW, SUCH LAW SHALL GOVERN THE FRANCHISEE'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT.

20. BUSINESS RELATIONSHIP

20.1 Independent Businesspersons. The parties acknowledge that each of them is an independent businessperson, that their only relationship is by virtue of this Agreement and that no fiduciary relationship is created hereunder. Neither party is liable or responsible for the other's debts or obligations, nor shall either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business authorized by or conducted pursuant to this Agreement. Neither the Franchisor nor the Franchisee will hold themselves out to be the agent, employer or partner of the other and neither the Franchisor nor the Franchisee has the authority to bind or incur liability on behalf of the other.

20.2 Payment of Other Obligations. The Franchisor shall have no liability for the Franchisee's obligations to pay any third parties, including without limitation, landlords, banks, other lenders, government agencies, any product vendors, or any sales, use, service, occupation, excise, gross receipts, income, property or other tax levied upon the Franchisee, the Franchisee's property, the BAD ASS COFFEE OF HAWAII Shop or upon the Franchisor in connection with the sales made or business conducted by the Franchisee (except any taxes the Franchisor is required by law to collect from the Franchisee with respect to purchases from the Franchisor). The Franchisor shall not be responsible or otherwise liable for any injury, loss, or damage suffered by any person or property directly or indirectly arising out of the Franchisee's operation of the Shop. In addition, the Franchisor shall not be liable for any claims arising from labor or employment law violations committed by the Franchisee or its employees.

20.3 Indemnification. The Franchisee shall indemnify, defend and hold harmless the Franchisor, its subsidiaries, parents and affiliates, and their respective shareholders, equity owners, partners, directors, officers, managers, members, employees, agents, representatives, successors and assigns (the "**Indemnified Parties**"), against, and to reimburse them for all claims, obligations and damages described in this Section 20.3, any and all obligations described in Section 20.2 and any and all claims and liabilities directly or indirectly arising out of the operation of the BAD ASS COFFEE OF HAWAII Shop or arising out of all acts and omissions of the Franchisee and its employees related to labor or employment practices, or the use of the Marks and Licensed Methods in any manner not in accordance with this Agreement. For purposes of this indemnification, claims shall mean and include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. The Franchisor shall have the right to defend any such claim against it. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

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21. RESTRICTIVE COVENANTS

21.1 **Non-Competition During Term**. The Franchisee acknowledges that, in addition to the training provided pursuant to this Agreement and the license of the Marks hereunder, the Franchisor has also licensed commercially valuable information which comprises and is a part of the Licensed Methods, including without limitation, operations, proprietary products, proprietary product formulas, vendor lists, marketing, advertising and related information and materials and that the value of this information derives not only from the time, effort and money which went into its compilation, but from the usage of the same by all the franchisees of the Franchisor using the Marks and Licensed Methods. Therefore, other than the BAD ASS COFFEE OF HAWAII Shop licensed herein or authorized by separate agreement with the Franchisor, neither the Franchisee nor any of the Franchisee's officers, directors, shareholders, Principal Managers, District Managers, Shop managers, equity owners, members, managers or partners, nor any member of his or their immediate families, shall during the term of this Agreement:

a. have any direct or indirect controlling interest as a disclosed or beneficial owner in a "Competitive Business" as defined below;

b. perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business; or

c. divert or attempt to divert any business related to, or any client or account of the BAD ASS COFFEE OF HAWAII Shop, the Franchisor's business or any other BAD ASS COFFEE OF HAWAII franchisee's business, by direct inducement or otherwise, to any Competitive Business by any direct inducement or otherwise.

d. The term "**Competitive Business**" as used in this Agreement shall mean any business operating or granting franchises or licenses to others to operate, either (i) a retail coffee shop business deriving more than 5% of its Net Sales from the sale of coffee-based beverages; or (ii) a wholesale business deriving more than 5% of its Net Sales from the sale of roasted coffee beans. Notwithstanding the foregoing, the Franchisee shall not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 5% or less of that class of securities issued and outstanding.

21.2 **Post-Termination Covenant Not to Compete**. Upon termination or expiration of this Agreement for any reason, the Franchisee and its officers, directors, shareholders, , members, managers and/or partners that have been directly involved in the operations and management of the BAD ASS COFFEE OF HAWAII Shop agree that, for a period of two years commencing on the effective date of termination or expiration, or the date on which the Franchisee ceases to conduct business, whichever is later, neither the Franchisee nor its officers, directors, shareholders, members, managers and/or partners shall have any direct or indirect interest as a disclosed or beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent or in any other capacity in any Competitive Business, defined in Section 21.1 above, located or operating within a 25 mile radius of the Franchised Location, within 25 miles of the Franchised Location of any other franchised BAD ASS COFFEE OF HAWAII Shop or, within 25 miles of the premises of any BAD ASS COFFEE OF HAWAII Shop owned by the Franchisor or affiliate of the Franchisor. The restrictions of this Section shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent 5% or less of the number of shares of that class of securities issued and outstanding. The Franchisee and its officers, directors, shareholders, members, managers and/or partners acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently,

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enforcement of the covenants made in this Section will not deprive them of their personal goodwill or ability to earn a living.

21.3 **Confidentiality of Proprietary Information**. The Franchisee and the Franchisor acknowledge that the distinctive business format, plans, methods, data, processes, marketing systems, manuals, recipes, coffee blends, coffee roasting methods, merchandise, formulas, techniques, designs, layouts, operating procedures, trademarks, proprietary marks and information and know-how of the Franchisor which are developed and utilized in connection with the Licensed Methods are proprietary and confidential ("**Confidential Information**"). Such Confidential Information is unique, exclusive property and a trade secret of the Franchisor and has valuable goodwill associated with it. The Franchisee acknowledges that any unauthorized disclosure or use of the Confidential Information would be wrongful and would cause irreparable injury and harm to the Franchisor. It is understood that Confidential Information is deemed to include, without limitation, recipes, coffee blends, coffee roasting methods, customer lists, vendor lists, formulas, any and all information contained in the Operations Manual, and any information of whatever nature which gives the Franchisor and its affiliates an opportunity to obtain an advantage over its competitors who do not have access to, know or use such recipes, blends, methods, lists, written materials, formulas or information. The Franchisee further acknowledges that the Franchisor has expended a great amount of effort and money in obtaining and developing the Confidential Information, that the Franchisor has taken numerous precautions to guard the secrecy of the Confidential Information, that it would be very costly for competitors to acquire or duplicate the Confidential Information and that any unauthorized disclosure of such Confidential Information shall cause irreparable harm to the Franchisor. Consequently, the Franchisee shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Franchisor or the Franchisee's BAD ASS COFFEE OF HAWAII Shop, any of the Confidential Information of the Franchisor or its affiliates. The Franchisor and the Franchisee agree that the Confidential Information does not include information that is generally available to the public.

21.4 **Confidentiality Agreement**. The Franchisor requires and the Franchisee agrees to cause each of its officers, directors, partners, shareholders, equity owners, members, managers, Principal Managers, District Managers, Shop managers, and, if the Franchisee is an individual, immediate family members, to execute a Nondisclosure and Noncompetition Agreement containing the above restrictions, in a form approved by the Franchisor.

22. INSURANCE

22.1 **Insurance Coverage**. The Franchisee shall procure, maintain and provide evidence of (i) comprehensive general liability insurance for the Franchised Location and its operations with a limit of not less than $2,000,000.00 combined single limit or with such greater limits or such other terms and conditions as may be described in the Operations Manual or required as part of any lease agreement for the Franchised Location; (ii) unemployment and worker's compensation insurance with a broad form all-states endorsement coverage sufficient to meet the requirements of the law; (iii) employment practices liability insurance of not less than $500,000 to $1,000,000 per claim, including third-party liability, wage and hour defense costs and punitive and exemplary damages claims, where insurable; (iv) all-risk personal property insurance in an amount equal to at least 100% of the replacement costs of the contents and tenant improvements located at the BAD ASS COFFEE OF HAWAII Shop; (v) cyber liability insurance with a limit of not less than $1,000,000 per claim; (vi) business interruption insurance equal to at least twelve months of operations; and (vii) general liability umbrella of not less than $2,000,000. All of the required policies of insurance shall name the Franchisor as an additional insured and shall provide for a 30-day advance written notice to the Franchisor of cancellation. The Franchisor shall have the right upon 60 days

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prior written notice to the Franchisee to revise the coverage limits and types of required insurance described in this Section 22.1.

22.2 Proof of Insurance Coverage. The Franchisee will provide proof of insurance to the Franchisor prior to commencement of operations at its BAD ASS COFFEE OF HAWAII Shop. This proof will show that the insurer has been authorized to inform the Franchisor if any policies lapse or are cancelled. Noncompliance with the insurance provisions set forth herein shall be deemed a material breach of this Agreement; in the event of any lapse in insurance coverage, in addition to all other remedies, the Franchisor shall have the right to demand that the Franchisee cease operations of the BAD ASS COFFEE OF HAWAII Shop until coverage is reinstated, or, in the alternative, pay any delinquencies in premium payments and charge the same back to the Franchisee. Franchisee shall annually provide compliance and proof of Insurance to Franchisor as outlined in Section 16.1(f)

23. MISCELLANEOUS PROVISIONS

23.1 Modification. The Franchisor or the Franchisee may modify this Agreement only upon execution of a written agreement between the two parties. The Franchisee acknowledges that the Franchisor may modify its standards, specifications and operating and marketing procedures set forth in the Operations Manual unilaterally under any conditions and to the extent to which the Franchisor, in its sole discretion, deems necessary to protect, promote or improve the Marks and the quality of the Licensed Methods, but under no circumstances will such modifications be made arbitrarily without such determination.

23.2 Entire Agreement. This Agreement, including all exhibits and addenda, and the Operations Manual, contain the entire agreement between the parties and supersedes any and all prior agreements concerning the subject matter hereof. No modifications of this Agreement shall be effective except those in writing and signed by both parties. The Franchisor does not authorize any representation of any nature other than those expressed in this Agreement or in any related agreement, but nothing in this Agreement or in any related agreement is intended to disclaim the representations made by the Franchisor in the franchise disclosure document that the Franchisor provided to the Franchisee.

23.3 Delegation by the Franchisor. From time to time, the Franchisor shall have the right to delegate the performance of any portion or all of its obligations and duties hereunder to third parties, whether the same are agents of the Franchisor or independent contractors which the Franchisor has contracted with to provide such services. The Franchisee agrees in advance to any such delegation by the Franchisor of any portion or all of its obligations and duties hereunder.

23.4 Governing Law/Consent to Venue and Jurisdiction.

a. Franchisee must first bring any claim or dispute between Franchisee Affiliates (as defined below) and Franchisor Affiliates (as defined below) to Franchisor's CEO, after providing notice as set forth herein. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

b. At Franchisor's option, all claims or disputes between Franchisee, its officers, directors or managers (collectively, "Franchisee Affiliates") and Franchisor, its officers, directors, managers or sales employees (collectively, "Franchisor Affiliates") arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee Affiliates and Franchisor Affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure sent forth above, must be submitted first to nonbinding mediation, in or near Centennial, Colorado, under the auspices of the American Arbitration Association ("AAA"), in accordance with the AAA's

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Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party shall bear its own cost of mediation and Franchisor and Franchisee shall share mediation costs equally. This agreement to mediate shall survive any termination or expiration of this Agreement. The parties agree that there will be no class action mediation. The parties shall not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in Franchisor's Marks or any Confidential Information; or (ii) any of the restrictive covenants contained in this Agreement.

c. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 *et seq*.) or other federal law, this Agreement shall be interpreted under the laws of the state of Colorado and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of Colorado, which laws shall prevail in the event of any conflict of law. The Franchisee and the Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim not subject to mediation as set forth above is asserted in any legal proceeding involving Franchisee Affiliates and Franchisor Affiliates, all parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Colorado, in Denver, Colorado, and each waive any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Colorado. THE FRANCHISOR, THE FRANCHISOR AFFILIATES, THE FRANCHISEE AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.

23.5 **Injunctive Relief**. The Franchisor and the Franchisee shall each have the right in the proper case to obtain injunctive relief from a court of competent jurisdiction. The Franchisee agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds totaling more than $500, but upon due notice, and the Franchisee's sole remedy in the event of the entry of such injunctive relief shall be the dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by the Franchisee.

23.6 **Effective Date**. This Agreement shall not be effective until accepted by the Franchisor as evidenced by dating and signing by an officer or manager of the Franchisor. The effective date of this Agreement may be adjusted to an earlier date if the parties are signing it as a successor to an earlier franchise agreement in order to avoid giving the Franchisee a longer term under the successor franchise agreement if the term of the prior agreement was extended until the successor agreement became effective.

23.7 **Review of Agreement**. The Franchisee acknowledges that it had a copy of this Agreement in its possession for a period of time not less than 14 calendar days or 10 full business days, whichever is

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applicable, during which time the Franchisee has had the opportunity to submit same for professional review and advice of the Franchisee's choosing prior to freely executing this Agreement.

23.8 Attorneys' Fees. In the event of any default on the part of either party to this Agreement, in addition to all other remedies, the party in default will pay the aggrieved party all amounts due and all damages, costs and expenses, including reasonable attorneys' fees, incurred by the aggrieved party in any legal action, arbitration or other proceeding as a result of such default, plus interest at the highest rate allowable by law, accruing from the date of such default.

23.9 No Waiver. No waiver of any condition or covenant contained in this Agreement or failure to exercise a right or remedy by the Franchisor or the Franchisee shall be considered to imply or constitute a further waiver by the Franchisor or the Franchisee of the same or any other condition, covenant, right or remedy.

23.10 No Right to Set Off. The Franchisee shall not be allowed to set off amounts owed to the Franchisor for Royalties, National Marketing Contributions, fees or other amounts due hereunder, against any monies owed to the Franchisee, nor shall the Franchisee in any event withhold such amounts due to any alleged nonperformance by the Franchisor hereunder, which right of set off is hereby expressly waived by the Franchisee.

23.11 Invalidity. If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority, arbitrator or other arbiter of any dispute arising hereunder, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement which shall otherwise remain in full force and effect. If the restrictions concerning the time duration, geography, affected individuals or entities, or breadth of activity contained in Article 21 are held to be unenforceable under any applicable law, the arbiter of any dispute regarding this Agreement is hereby authorized to and shall make only such limited changes as are necessary to make the restrictions enforceable.

23.12 Notices. All written notices required to be given under this Agreement shall be given in writing, by electronic mail, by certified mail, return receipt requested, or by an overnight delivery service providing documentation of receipt, at the address set forth in the preamble to this Agreement or at such other addresses as the Franchisor or the Franchisee may designate from time to time. Notices shall be deemed delivered one business day after transmission by electronic mail; one business day after being placed in the hands of a commercial courier service for overnight delivery; or three business days after being deposited in the United States Mail, postage prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified in writing.

23.13 Authorization to Communicate Electronically; Prompt Response Required. By executing this Agreement, the Franchisee authorizes the Franchisor and its affiliates and approved suppliers, to communicate with the Franchisee electronically, including via electronic mail or text message, and unless a written communication is required, to communicate with the Franchisee via telephone, notwithstanding whether any or all of the Franchisee's telephone numbers appear on a state or federal do-not-call registry. The Franchisee acknowledges and agrees that it is critical to the efficient and successful administration of the franchise relationship that the Franchisee promptly responds to all communications from the Franchisor. Accordingly, the Franchisee agrees to respond within five business days to each communication from the Franchisor.

23.14 Force Majeure. "**Force Majeure**" means an event that prevents a party to this Agreement from performing that is not the fault of or within the reasonable control of the party claiming Force Majeure. Force Majeure includes acts of God, fires, strikes, war, terrorism, riot, governmental laws or restrictions, or any other similar event or cause rendering performance of the contract impossible. Except with respect

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to payment obligations, neither party shall be deemed to be in breach of this Agreement if a party's failure to perform its obligations results from Force Majeure and any delay resulting from Force Majeure will extend performance accordingly or excuse performance in whole or in part as may be reasonable. Force Majeure does not include the Franchisee's financial inability to perform, inability to obtain financing, inability to obtain permits or licenses or any other similar events unique to the Franchisee or to general economic downturn or conditions. If the Franchisee is affected by an event of Force Majeure, it shall provide a prompt written request for relief to the Franchisor describing and setting forth the nature of the Force Majeure, an estimate as to its duration, and a plan for resuming full compliance with this Agreement. The Franchisor will have full discretion whether to grant or deny any request for relief. If the Franchisee fails to provide the required notice it shall be liable for failure to give such timely notice only to the extent of damage actually caused.

23.15 **Electronic Signatures**. The parties hereby acknowledge and agree that electronic signatures, in such form and manner as the Franchisor may prescribe from time to time, shall be legal and binding and shall have the same full force and effect as if an original of this Agreement had been signed and delivered by hand. The Franchisor and the Franchisee both (i) intend to be bound by the signatures (whether original or electronic) on any document sent or signed electronically, (ii) are aware that the other party will rely on such signatures, and (iii) hereby waive any defenses to the enforcement of the terms of this Agreement based on the foregoing forms of signature.

23.16 **No Third-Party Beneficiaries**. The Franchisee acknowledges and agrees that neither the Franchisee nor any of its officers, directors, members, managers, employees, affiliates, successors or assigns shall be deemed a third-party beneficiary of any agreement between the Franchisor and another franchisee or any other party, unless specifically agreed to by the Franchisor in writing.

23.17 **Survival of Provisions**. Any provisions that by their terms extend beyond termination or expiration of this Agreement shall continue in full force and effect subsequent to and notwithstanding the termination or expiration of this Agreement.

23.18 **Payment of Taxes**. The Franchisee shall reimburse the Franchisor, or its affiliates and designees, promptly and when due, the amount of all sales taxes, use taxes, personal property taxes and similar taxes imposed upon, required to be collected or paid by the Franchisor, or its affiliates or designees, on account of services or goods furnished by the Franchisor, its affiliates or designees, to the Franchisee through sale, lease or otherwise (except for any taxes the Franchisor or its affiliates are required by law to collect from the Franchisee with respect to products purchased from the Franchisor and its affiliates), or on account of collection by the Franchisor of the initial franchise fee, Royalties, National Marketing Contribution or any other payments made by the Franchisee to the Franchisor required under the terms of this Agreement.

23.19 **Cumulative Rights**. The rights and remedies of the Franchisor and the Franchisee hereunder are cumulative and no exercise or enforcement by the Franchisor or the Franchisee of any right or remedy hereunder shall preclude the exercise or enforcement by the Franchisor or the Franchisee of any other right or remedy hereunder which the Franchisor or the Franchisee is entitled by law to enforce.

23.20 **Acknowledgement**. BEFORE SIGNING THIS AGREEMENT, THE FRANCHISEE SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL. THE FRANCHISEE ACKNOWLEDGES THAT: THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED HEREIN INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON THE FRANCHISEE'S ABILITY AS AN INDEPENDENT BUSINESSPERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS.

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IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the date this Agreement as signed by the Franchisor below.

ROYAL ALOHA FRANCHISE COMPANY, LLC

By:_____

_____
Date

FRANCHISEE:

_____
(Print Name)

_____
Individually

Address:_____
City:_____
State:_____ Zip:_____

Phone:_____

Email:_____

OR:

(if a corporation or partnership)

_____
Company Name

By:_____
Name:_____
Title:_____
Address:_____
City:_____
State:_____ Zip:_____

Phone:_____

Email:_____

_____
Date

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EXHIBIT I
TO FRANCHISE AGREEMENT

ADDENDUM TO
ROYAL ALOHA FRANCHISE COMPANY, LLC
FRANCHISE AGREEMENT

1. **Franchised Location**. The "**Franchised Location**," set forth in Section 3.1 of the Agreement shall be: _____;

OR

Designated Area. The Franchisor and the Franchisee acknowledge that the Franchised Location cannot be designated in Section 1 above as a specific address because the location has not been selected and approved; therefore, within 90 days following the date of the Agreement, the Franchisee shall choose and acquire an approved location for its BAD ASS COFFEE OF HAWAII Shop within the following geographic area ("**Designated Area**"):
_____
_____.

2. **Protected Territory**. The "**Protected Territory**" referred to in Section 3.2 of the Agreement shall be described as _____
_____
(or "N/A," for a Non-Traditional Shop).

3. **Initial Franchise Fee**. The Franchisee shall pay to the Franchisor an initial franchise fee of $_____, due and payable in the manner set forth in Section 4.1 of the Agreement.

4. **Point-of-Sale and Online Ordering System and Computers; Technology Fee.** The monthly Technology Fee of $_____ will be payable bi-monthly at the same time and using the same methods as the payment of the Royalty, in two equal installments, as described in Section 5.6 of the Agreement. The Franchisor reserves the right to increase the amount of the Technology Fee upon 30 days' notice.

5. **Acknowledgement**. By executing this Exhibit and/or the Rider hereto, the Franchisee acknowledges that the Franchisor's approval of a site does not constitute a representation or warranty of any kind, express or implied, as to the suitability of the site for a BAD ASS COFFEE OF HAWAII Shop or for any other purpose and that the Franchisee's acceptance of a franchise for the operation of a BAD ASS COFFEE OF HAWAII Shop at the site is based on its own independent investigation of the suitability of the site.

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Fully executed on _____, 20__.

ROYAL ALOHA FRANCHISE COMPANY, LLC

By:_____

_____
Date

FRANCHISEE:

_____
(Print Name)

_____
Individually

Address:_____
City:_____
State:_____ Zip:_____

Email:

Phone:_____

OR:

(if a corporation or partnership)

_____
Company Name

By:_____
Name:_____
Title:_____
Address:_____
City:_____
State:_____ Zip:_____

_____
Date

Email:

Phone:_____

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EXHIBIT I-1
TO FRANCHISE AGREEMENT

RIDER TO ADDENDUM - LOCATION APPROVAL

1. Franchised Location. The Franchised Location, set forth in Section 3.1 of the Agreement dated _____shall be_____ and the "**Protected Territory**," referred to in Section 3.2 of the Agreement, shall be described as:

_____

_____

(or "N/A," for a Non-Traditional Shop).

2. Legal Address. The business address for any notices mailed pursuant to Section 23.12 of the Agreement shall be changed to read as follows: _____.

Fully executed on_____, 20___.

ROYAL ALOHA FRANCHISE COMPANY, LLC

By:_____

_____
Date

FRANCHISEE:

_____
(Print Name)

_____
Individually

Address:_____
City:_____
State:_____ Zip:_____

Email:

Phone:

OR:

(if a corporation or partnership)

_____
Company Name

By:_____
Name:_____
Title:_____
Address:_____
City:_____
State:_____ Zip:_____

_____
Date

Email/Phone:

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EXHIBIT II
TO FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the above Franchise Agreement (the "**Agreement**") by Royal Aloha Franchise Company, LLC (the "**Franchisor**"), each of the undersigned hereby personally and unconditionally:

Guarantees to the Franchisor and its affiliates and their respective successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that the Franchisee as that term is defined in the Agreement (the "**Franchisee**") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and

Agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

Each of the undersigned waives the following:

1. Acceptance and notice of acceptance by the Franchisor and its affiliates of the foregoing undertakings;

2. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;

3. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;

4. Any right he or she may have to require that any action be brought against the Franchisee or any other person as a condition of liability; and

5. Any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that:

1. His or her direct and immediate liability under this guaranty shall be joint and several;

2. He or she shall render any payment or performance required under the Agreement upon demand if the Franchisee fails or refuses punctually to do so;

3. This liability shall not be contingent or conditioned upon pursuit by the Franchisor or its affiliates of any remedies against the Franchisee or any other person;

4. He or she will be bound by the covenant not to compete and other restrictive covenants, the confidentiality provisions, the audit provisions, and the indemnification provisions contained in the Agreement;

5. This liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor or its affiliates may from time to time grant to the 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,

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which shall be continuing and irrevocable during the term of the Agreement, including renewals thereof; and

6. Such liability shall not be diminished, relieved or otherwise affected by the occurrence of any of the following events: (a) the commencement by the Franchisee of a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended or replaced, or any other applicable federal or state bankruptcy, insolvency or other similar law (collectively, the "**Bankruptcy Laws**"), (b) the consent by the Franchisee to the appointment of or taking possession by a receiver, liquidator, assignee, trustee or custodian of the Franchisee or for any substantial part of the assets of the Franchisee, (c) any assignment by the Franchisee for the benefit of creditors, (d) the failure of the Franchisee generally to pay its debts as such debts become due, (e) the taking of corporate action by the Franchisee in the furtherance of any of the foregoing, or (f) the entry of a decree or order for relief by a court having jurisdiction in respect of the Franchisee in any involuntary case under the Bankruptcy Laws, or appointing a receiver, liquidator, assignee, custodian or trustee of the Franchisee or for any substantial part of its assets, or ordering the winding-up or liquidation of any of its affairs and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days. In addition, such liability shall not be affected or impaired by any payment made to the Franchisor under or related to the Agreement for which the Franchisor is required to reimburse the Franchisee pursuant to any court order or in settlement of any dispute, controversy or litigation in any bankruptcy, reorganization, arrangement, moratorium or other federal or state debtor relief proceeding;

7. His or her obligation and liability hereunder shall not be affected by any amendment or modification of the Agreement and he or she has no right to approve or consent to any such amendment or modification.

8. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this guaranty shall be interpreted under the laws of the state of Colorado and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of Colorado, which laws shall prevail in the event of any conflict of law. The undersigned and the Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving the undersigned and the Franchisor, its officers, directors, managers or sales employees (collectively, "**Franchisor Affiliates**"), all parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Colorado, in Denver, Colorado and each waive any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Colorado. THE FRANCHISOR, THE FRANCHISOR AFFILIATES, AND THE UNDERSIGNED EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.

9. In the event of any default on the part of either party to this guaranty, in addition to all other remedies, the party in default will pay the aggrieved party all amounts due and all damages, costs and expenses, including reasonable attorneys' fees, incurred by the aggrieved party in any legal action, arbitration or other proceeding as a result of such default, plus interest at the highest rate allowable by law, accruing from the date of such default.

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IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature effective on the same day and year as the Agreement was executed.

WITNESS(ES)	**GUARANTOR(S)**
_____	_____
_____	_____
_____	_____
_____	_____

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EXHIBIT III
TO FRANCHISE AGREEMENT

STATEMENT OF OWNERSHIP

Franchisee: _____

Trade Name (if different from above): _____

Legal Entity/Ownership Mailing Address: _____

_____

Legal Entity/Ownership Primary Contact: _____

Legal Entity/Ownership Phone: _____

Legal Entity/Ownership Email: _____

Form of Ownership
(Check One)

_____ Individual _____ Partnership _____ Corporation _____ Limited Liability Company

If a Partnership, provide name, address , email and phone for each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a Limited Liability Company, provide name, address, email and phone for each member and each manager showing percentage owned and indicate the state and date of organization.

If a Corporation, give the state and date of incorporation, the name, address, email and phone for each officer and director, and list the names, addresses, email addresses and phone for every shareholder showing what percentage of stock is owned by each.

_____

_____

_____

_____

Franchisee acknowledges that this Statement of Ownership applies to the BAD ASS COFFEE OF HAWAII Shop authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to the Franchisor in writing.

_____ _____

Date Name

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EXHIBIT IV
TO FRANCHISE AGREEMENT

ELECTRONIC FUNDS TRANSFER / ACH FORM

The undersigned depositor ("**Franchisee**") agrees to electronic funds transfer from Franchisee's account designated below to the designated account(s) of **Royal Aloha Franchise Company, LLC** ("**Franchisor**") for payment of Royalties, National Marketing Contributions, and other obligations owed to Franchisor related to Franchisee's BAD ASS COFFEE OF HAWAII franchise(s).

Additionally, the undersigned depositor ("**Franchisee**") agrees to electronic funds transfer from Franchisee's account designated below to the designated account(s) of **Royal Aloha Enterprises, LLC** for payment of all products supplied by Royal Aloha Enterprises, including but not limited to coffee, merchandise, and consumable products.

Franchisee authorizes and requests the financial institution (the "**Bank**") to accept the payment entries presented to the Bank by Franchisor, and to deduct them from the Franchisee's account without responsibility for the correctness of these payments.

If separate bank accounts are required for Royal Aloha Franchise Company and Royal Aloha Enterprises, LLC, please fill out the additional bank information section at the bottom of this form.

Franchisee's Name: _____

Franchisee's Address: _____

Contact Name (if different from above): _____

Name of Franchisee's Bank Account: _____

Store Name & Store Number: _____

Bank Name: _____

Bank Address: _____

Routing Number.: _____ Account Number: _____

Check One: _____ Personal _____ Business Check One: _____ Savings _____ Checking

Attach a voided check to this form. Franchisor will complete the following information for Franchisee:

Routing Number:_____ Account Number:_____

Franchisee agrees: (1) that this authorization will remain in effect for its BAD ASS COFFEE OF HAWAII franchise throughout the duration of the Franchise Agreement for that franchise, unless Franchisor agrees to an earlier termination of the authorization; (2) not to revoke any authorization for funds transfer prior to the termination of the applicable Franchise Agreement, without prior written consent of Franchisor; (3) that the Bank cannot cancel this authorization without receiving written consent from Franchisor; and (4) that termination of this authorization does not relieve Franchisee of its obligation to make payments to Franchisor.

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If Franchisee is an entity:

Signature:_____

By:_____

Title:_____

Date:_____

If Franchisee is one or more individuals:

Signature:_____

By:_____

Signature:_____

By:_____

IF A SINGLE CHECKING ACCOUNT WILL BE USED FOR BOTH RAE AND RAF, PLEASE LEAVE THIS SECTION BLANK.

Franchisee's Name: _____

Franchisee's Address: _____

Contact Name: _____

Name of Franchisee's Bank Account:_____

Bank Name: _____

Bank Address: _____

Routing Number.: _____ Account Number: _____

Check One: _____ Personal _____ Business Check One: _____ Savings _____ Checking

Attach a voided check to this form and Franchisor will complete the following information for Franchisee:

Routing Number:_____ Account Number:_____

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EXHIBIT V
TO FRANCHISE AGREEMENT

PERMIT, LICENSE AND CONSTRUCTION CERTIFICATION

Royal Aloha Franchise Company, LLC ("**Franchisor**") and Franchisee are parties to a Franchise Agreement dated _____, 20___ for the development and operation of a BAD ASS COFFEE OF HAWAII Shop located at _____ (the "**Franchised Location**"). In accordance with Section 5.8 of the Franchise Agreement, Franchisee certifies to the Franchisor that the Franchised Location complies with all applicable federal, state and local laws, statutes, codes, rules, regulations and standards including, but not limited to, the federal Americans with Disabilities Act and any similar state or local laws. The Franchisee has obtained all such permits and certifications as may be required for the lawful construction and operation of the BAD ASS COFFEE OF HAWAII Shop, together with all certifications from government authorities having jurisdiction over the site that all requirements for construction and operation have been met, including without limitation, zoning, access, sign, health, safety requirements, building and other required construction permits, licenses to do business and fictitious name registrations, sales tax permits, health and sanitation permits and ratings and fire clearances. The Franchisee has obtained all customary contractors' sworn statements and partial and final lien waivers for construction, remodeling, decorating and installation of equipment at the Franchised Location. The Franchisee acknowledges that it is an independent contractor and that the requirement of this certification does not constitute ownership, control, leasing or operation of the Shop or the Franchised Location but rather provides notice to the Franchisor that the Franchisee has complied with all applicable laws. The Franchisee asserts that the Franchisor may justifiably rely on the information contained in this certification.

ROYAL ALOHA FRANCHISE COMPANY, LLC

By:_____

_____
Date

FRANCHISEE:

_____
(Print Name)

_____
Individually

Address:_____
City:_____
State:_____ Zip:_____

OR:

(if a corporation or partnership)

_____
Company Name

By:_____
Name:_____
Title:_____
Address:_____
City:_____
State:_____ Zip:_____

Date: _____

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EXHIBIT C

DEVELOPMENT AGREEMENT

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EXHIBIT C
(TO DISCLOSURE DOCUMENT)

ROYAL ALOHA FRANCHISE COMPANY, LLC

DEVELOPMENT AGREEMENT

Developer:_____
Date:_____

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EXHIBITS

I. Development Fee, Development Schedule, Development Area
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ROYAL ALOHA FRANCHISE COMPANY, LLC
DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (the "**Agreement**") is made this __ day of _____, 20__, by and between ROYAL ALOHA FRANCHISE COMPANY, LLC, a Colorado limited liability company, located at 7347 South Revere Parkway, Building A, Suite A, Centennial, CO 80112 (the "**Franchisor**") and _____, a _____ located at _____ (the "**Developer**"), who, on the basis of the following understandings and agreements, agree as follows:

1. PURPOSE

The Franchisor has developed methods for establishing and operating retail coffee shops ("**BAD ASS COFFEE OF HAWAII Shops**" or "**Shops**") which use the service mark "BAD ASS COFFEE OF HAWAII" and related service marks, trade names and trademarks ("**Marks**") and the Franchisor's proprietary methods of doing business ("**Licensed Methods**"). Terms not otherwise defined in this Agreement shall have the meanings as defined in the Franchise Agreement.

The Developer would like to use the Licensed Methods in connection with the development of a specific number of Shops in the geographic area described below. The Franchisor desires to grant the Developer the right to establish and operate Shops under the terms and conditions which are contained in this Agreement.

2. GRANT OF DEVELOPMENT RIGHTS

2.1 **Development Area**. The Franchisor grants to the Developer the right to develop and establish Shops using the Franchisor's Marks and Licensed Methods in the geographic area described in Exhibit I attached hereto (the "**Development Area**"). Except as provided in Sections 2.2 and 3.1 below, the Franchisor shall not establish, nor shall it license any other party to establish, Shops using the Marks and Licensed Methods anywhere within the Development Area for so long as this Agreement is in effect.

2.2 **Franchisor's Reservation of Rights**. The Developer acknowledges that the rights granted in this Agreement are non-exclusive and that the Franchisor, for itself and its affiliates, successors, and assigns, reserves the rights to (i) use and license others to use, the Marks and Licensed Methods in connection with the operation of BAD ASS COFFEE OF HAWAII Shops, at any location except within the Development Area; (ii) use and license the use of different proprietary marks or methods in connection with the sale of products or services similar to those which the Developer will sell in its Shops, whether in alternative channels of distribution or in connection with the operation of retail coffee shops which are similar to, or different from BAD ASS COFFEE OF HAWAII Shops, at any location, including within the Development Area, on any terms and conditions as the Franchisor deems advisable; (iii) use the Marks to identify any type of services, products, promotional and marketing efforts or related items and to identify services and products distributed or otherwise made available at any location, including within the Development Area, through alternative channels of distribution (other than Shops), including but not limited to, at temporary events and venues, wholesale distribution, Internet marketing or distribution, by mail order, catalog sales, social media marketing, telemarketing, other direct marketing or retail store product displays; and (iv) use and license others to use the Marks and Licensed Methods within or outside of the Development Area, in connection with the operation of Shops within "Captive Audience Facilities" (defined below) to develop and operate Shops within those facilities and, if the contract includes such a location within the Developer's Development Area, the Franchisor will notify the Developer that the Developer has the opportunity to develop a proposed Shop within a Captive Audience Facility, on terms and conditions agreed to by the

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Franchisor in said contract. The Developer agrees to respond within 30 days of receipt of such notice of the opportunity to develop the proposed Shop regarding whether the Developer wishes to develop the proposed Shop under the terms of the contract that the Franchisor has negotiated. If the Developer declines to develop the proposed Shop, the Franchisor, one of its affiliates or another Developer or Franchisee will be granted the right to develop the proposed Shop and the Developer agrees that it will have no further rights pertaining to the proposed Shop or the location of the proposed Shop during the term of the contract between the Franchisor and the Captive Audience Facility. "**Captive Audience Facilities**" are defined as facilities where people are gathering for a primary purpose unrelated to the Shop business, creating significant foot traffic in the facility, including airports and other transportation hubs, hospitals, college campuses, convention centers, grocery stores, department stores, resorts and hotels, office buildings, lifestyle centers, town centers, "big box" retail centers and regional shopping malls.

2.3 **Franchise Agreement – First Shop Developed**. The parties acknowledge that the Franchise Agreement, attached hereto as Exhibit III and by this reference incorporated herein, governing the operation of the Developer's first Shop to be opened hereunder, is being executed concurrently with this Agreement. The Developer agrees to comply with the terms and conditions of the Franchise Agreement as a part of its obligations hereunder and acknowledges that failure to execute and comply with such Franchise Agreement is a breach of this Agreement.

2.4 **Subsequent Franchise Agreements**. The parties agree that a separate Franchise Agreement shall be executed by the parties to this Agreement for each BAD ASS COFFEE OF HAWAII Shop developed under this Agreement. The Franchise Agreement for the second and subsequent Shops will be executed within three business days after a lease is executed by the Developer or a purchase of land or existing property is executed for the approved such Shop. The franchise fee for the fourth and subsequent Shops shall be paid to the Franchisor within three business days after a lease is executed by the Developer or a purchase of land or existing property is executed for the approved such Shop. The Developer's failure to execute any additional Franchise Agreements or its default in any term of such Franchise Agreements may, at the option of the Franchisor, be deemed a default under this Agreement and shall entitle the Franchisor to terminate this Agreement as further provided in Article 5 below. Each Franchise Agreement to be executed by the Developer for each Shop to be developed hereunder shall be in a form substantially similar to the Franchise Agreement being executed herewith, although the Franchisor reserves the right to change provisions of the Franchise Agreement to conform with the then current Franchise Agreement being offered to new franchisees of the Franchisor. Notwithstanding the foregoing, the Franchisor agrees that it will not charge an initial franchise fee to the Developer that is greater than the amounts set forth herein and will not increase the Royalty percentage to a rate that is greater than the rate charged to the Developer in the Franchise Agreement being executed herewith. The Developer acknowledges that the Franchisor has the right, however, to charge then current published rates for advertising contributions and optional products and services offered to the Developer in accordance with the Franchisor's then current franchise disclosure document. The form of the Franchise Agreement attached as Exhibit III and any future forms of Franchise Agreements referred to in this Section will also be included in the term "Franchise Agreement" as used in this Agreement.

3. TERM AND OWNERSHIP OF BUSINESS

3.1 **Term**. The term of this Agreement shall commence as of the date of execution hereof and shall end on the last Development Deadline set forth in Exhibit I attached hereto. After expiration of the term, or earlier termination of this Agreement as provided below, the Franchisor shall have the right to establish, or license any other party to establish Shops anywhere within the Development Area; provided, however, that the Developer's Protected Territory as defined in the Franchise Agreement(s) executed hereunder, will remain in effect for the term of the Franchise Agreement(s), unless sooner terminated.

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3.2 **Ownership of Business**. The Developer shall at all times during the term of this Agreement control the BAD ASS COFFEE OF HAWAII developer business authorized hereunder with at least a 51% ownership interest in the Developer entity. Upon request of the Franchisor, the Developer shall promptly provide satisfactory proof of such ownership and control to the Franchisor. The Developer represents that the Statement of Ownership, attached hereto as Exhibit II and by this reference incorporated herein, is true, complete, accurate and not misleading, and, in accordance with the information contained in the Statement of Ownership, the controlling ownership of the BAD ASS COFFEE OF HAWAII developer business is held by the Developer. The Developer shall promptly provide the Franchisor with a written notification if the information contained in the Statement of Ownership changes at any time during the term of this Agreement and shall comply with the applicable transfer provisions contained in Article 8 herein and in the Franchise Agreement.

4. INITIAL FRANCHISE AND DEVELOPMENT FEES

4.1 **Fees**. Concurrently with the execution of this Agreement, the Franchisor acknowledges that in consideration of the development rights granted herein, the Developer shall pay to Franchisor the sum of $100,000, representing payment in full of the initial franchise fee for the first three BAD ASS COFFEE OF HAWAII Shop to be developed hereunder, plus additional initial franchise fees for additional locations as defined in an addendum to this Development Agreement. The payment of such fees for all shops included in this Development Agreement shall be defined as the "**Development Fee**." The Development Fee shall be paid in the following manner: $50,000 shall be paid upon execution of this Agreement; $25,000 shall be paid six (6) months from the Effective Date of this Agreement; and $25,000 shall be paid within twelve (12) months from the Effective Date of this Agreement. The Developer agrees that the Franchisor has fully earned the Development Fee upon receipt and acknowledges that the Development Fee represents payment for the grant of the development rights, administrative and other expenses and for development opportunities lost or deferred as a result of the Development Area granted to the Developer under this Agreement. The Development Fee will be applied toward payment of the shops identified in this Development Agreement. The balance of the initial franchise fees subsequent Shops following the first three shall be due as outlined in the Addendum to this Development Agreement. All fees hereunder are nonrefundable once paid to the Franchisor and under no circumstances will the Developer be entitled to a refund, return or rebate of any portion of initial franchise fees or Development Fees paid hereunder.

5. DEVELOPMENT OBLIGATIONS

5.1 **Development Schedule**. Acknowledging that time is of the essence, the Developer agrees to exercise its development rights according to the development schedule set forth on Exhibit I to this Agreement (the "**Development Schedule**") and as otherwise set forth herein. The Developer must construct, open and maintain in continuous operation a minimum number of BAD ASS COFFEE OF HAWAII Shops in the Development Area within the time periods mandated by the Development Schedule. The Developer's failure to adhere to the Development Schedule (including any extensions approved by the Franchisor in writing) will constitute a material breach of this Agreement.

5.2 **Effect of Failure**. Strict compliance with the Development Schedule is of the essence. If the Developer fails to construct and open any BAD ASS COFFEE OF HAWAII Shop or maintain the cumulative number of BAD ASS COFFEE OF HAWAII Shops open and operating in accordance with the Development Schedule, then the Developer will be in default. Any such default constitutes a material breach of this Agreement and the Franchisor may, in the Franchisor's sole discretion, elect to:

(a) terminate this Agreement;

(b) operate or grant franchises to others to operate BAD ASS COFFEE OF HAWAII Shops within the Development Area;

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(c) grant the Developer, upon the Developer's reasonable request, up to two (2) extensions of the Development Schedule as determined by the Franchisor. If the Franchisor agrees to provide any extensions, the first extension will be provided at no charge and the second extension, if also provided, may be subject to the Developer's payment of a non-refundable $5,000 extension fee; or

(d) reduce the Development Area and the Development Schedule to a size and magnitude that the Franchisor estimates the Developer is capable of operating otherwise in accordance with this Agreement.

Any extensions of the time periods to open the Shops are subject to the Franchisor's extension policy, which may change from time to time and may require the Developer to pay additional fees to the Franchisor.

5.3 Site Selection. The Developer shall not, without the prior written approval of the Franchisor, enter into any contract for the purchase or lease of any premises for use as a BAD ASS COFFEE OF HAWAII Shop. The Franchisor will assist the Developer in the selection and approval of locations for its Shops, although the Developer acknowledges that the Franchisor has no obligation to select or acquire a location on behalf of the Developer. Assistance by the Franchisor will consist of the provision of criteria for a satisfactory location and any other assistance set forth in the Franchise Agreement. The Developer shall follow the Franchisor's site selection procedures in locating a Franchised Location for the BAD ASS COFFEE OF HAWAII Shop, including using the Franchisor's designated or approved site selection service provider/broker representative, as well as use of the Franchisor's or Real Estate provider/broker representative's site analysis software, to assist the Developer in finding a qualified Franchised Location. The Developer shall seek the Franchisor's acceptance of any site proposed as a Franchised Location, by submitting a complete site submittal package, including demographics, site analysis and other materials requested by the Franchisor, containing all information reasonably required by the Franchisor to assess a proposed Franchised Location. The Developer shall use Franchisor's designated LOI template when negotiating the lease for the Franchised Location. The Franchisor will not unreasonably withhold approval of a proposed site that meets all of the Franchisor's site selection criteria. The Developer acknowledges and agrees that the Franchisor's approval of a site and any information provided by the Franchisor regarding the site does not constitute a representation or warranty of any kind, express or implied, as to the suitability of the site for a BAD ASS COFFEE OF HAWAII Shop.

6. TRAINING

6.1 Training Program. The Developer acknowledges that the Franchisor shall have the right, in the Franchisor's sole discretion, to waive the initial training program, which is the same as or similar to the training provided under Section 6.1 of the Franchise Agreement executed concurrently herewith, for the second and each subsequent Shop developed under the terms of this Agreement. The Developer may also request additional assistance from the Franchisor in connection with site selection, site feasibility studies, lease negotiations and other issues related to development of Shops in its Development Area. If the Franchisor agrees to provide such assistance, in the Franchisor's sole discretion, the Franchisor reserves the right to charge the Developer for all travel, lodging, living expenses, and other identifiable expenses incurred in connection with such assistance, plus a fee based on hourly time spent by any of the Franchisor's employees in connection with such assistance, which fee will be charged in accordance with the then current daily or hourly rates being charged by the Franchisor for assistance.

7. MARKS

7.1 Marks. Notwithstanding any provision to the contrary under this Agreement, this Agreement does not grant the Developer any right to use the Marks. The right to use the Marks may only be granted by the terms of a Franchise Agreement. The Developer acknowledges and agrees that, until a Franchise Agreement has been entered into for a specific Shop, the Developer will not have, nor be entitled to receive, any of the

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rights, powers and privileges granted by the Franchise Agreement, including, without limitation, the right to use the Marks. The Developer may not use any Mark as part of any corporate or trade name or as the Developer's primary business name or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified forms. The Developer may not use any Mark in connection with any business or activity other than the business conducted by the Developer pursuant to the Franchise Agreements nor in any other manner not explicitly authorized in writing by the Franchisor.

8. TRANSFER

8.1 **Transfer by Developer**. The rights and duties created by this Agreement are personal to the Developer, therefore the Franchisor shall not allow or permit any transfer, assignment, or conveyance of this Agreement or any interest hereunder.

8.2 **Assignment by the Franchisor**. This Agreement is fully assignable by the Franchisor and shall inure to the benefit of any assignee or other legal successor in interest, and the Franchisor shall in such event be fully released from the same.

8.3 **Developer's Death or Disability**. The Developer or its representative must promptly notify the Franchisor in writing of the Developer's death or the death or permanent disability of any of the Developer's owners. Upon the Developer's death or permanent disability (if the Developer is a natural person), or the death or permanent disability of any owner who is a natural person (if the Developer is a legal entity), the executor, administrator, or other personal representative of such person must transfer his/her interest in this Agreement, in the business operated hereunder, or in the Developer to a third party approved by the Franchisor, within a reasonable period of time, not to exceed 12 months from the date of death or 6 months from the date of permanent disability, as applicable. Such transfer shall be considered only if by will or inheritance, in the event of Developer's death, or by request of legal agent or legal representative in the event of Developer's disability and will be subject to the Franchisor's then criteria used to assess the qualifications of a new franchisee. If an interest is not transferred upon death or permanent disability as required by this Section, then such failure will constitute a material breach of this Agreement. For purposes of this Agreement, the term "**permanent disability**" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent such person from performing the obligations set forth in this Agreement.

9. DEFAULT AND TERMINATION

9.1 **Termination by Franchisor - Effective Upon Notice**. The Franchisor shall have the right, at its option, to terminate this Agreement and all rights granted the Developer hereunder, without affording the Developer any opportunity to cure any default (subject to any state laws to the contrary, where state law shall prevail), effective upon written notice to the Developer, addressed as provided in Section 13.11, upon the occurrence of any of the following events:

a. The Developer (or any of the Developer's owners) have made any material misrepresentation or omission in connection with the Developer's purchase of these development rights;

b. The Developer fails to establish and open Shops in accordance with the Development Schedule (or any extension approved by the Franchisor in writing);

c. The Developer fails to maintain in continuous operation the minimum number of cumulative Shops required by the Development Schedule;

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d. If the Developer or an owner of the Developer entity, is convicted of a felony, a crime involving moral turpitude, or any crime or offense that is reasonably likely, in the sole opinion of the Franchisor, to materially and unfavorably affect the Licensed Methods, Marks, goodwill or reputation thereof;

e. The Developer fails to pay when due any amount owed to the Franchisor or its affiliates, under this Agreement or any other agreement, and does not correct such failure within 10 days after written notice of such failure is delivered to the Developer;

f. The Developer surrenders or transfers control of this Agreement or the business without the Franchisor's prior written consent;

g. The Developer (or any of the Developer's owners) engages in any dishonest or unethical conduct which, in the Franchisor's opinion, may adversely affect the reputation of the Developer's Shops or other BAD ASS COFFEE OF HAWAII Shops or the goodwill associated with the Marks;

h. The Developer (or any of the Developer's owners) make an unauthorized assignment or transfer of this Agreement or of an ownership interest in the Developer;

i. In the event of the Developer's death or permanent disability or the death or permanent disability of one of the Developer's owners, such person's interest in this Agreement or in Developer is not assigned as required under this Agreement;

j. The Developer (or any of the Developer's owners) make any unauthorized use or disclosure of any Confidential Information, including the Operations Manual;

k. The Developer (or any of the Developer's owners) fails to comply with any of the restrictive covenants contained in Article 11;

l. The Developer's (or any of the Developer's owners') assets, property or interests are blocked under any law, ordinance or regulation relating to terrorist activities, or the Developer or any of the Developer's owners otherwise violate any such law, ordinance or regulation;

m. The Developer makes an assignment for the benefit of creditors or admits in writing the Developer's insolvency or inability to pay the Developer's debts generally as they become due; the Developer consents to the appointment of a receiver, trustee or liquidator of all or the substantial part of the Developer's property; or any order appointing a receiver, trustee or liquidator of the Developer is not vacated within 30 days following the entry of such order;

n. The Developer or its affiliate, commits a breach or default under any Franchise Agreement or any other agreement between the Developer or its affiliate and the Franchisor or the Franchisor's affiliates and does not cure such breach or default during the time period required under such Franchise Agreement or other agreement, regardless of whether the Franchisor in fact terminates such Franchise Agreement or other agreement; or

o. The Franchisor has delivered to the Developer a notice of termination of a Franchise Agreement in accordance with its terms and conditions or the Developer has terminated a Franchise Agreement without cause.

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9.2 **Termination by Franchisor - Thirty Days' Notice**. The Franchisor shall have the right to terminate this Agreement (subject to any state laws to the contrary, where state law shall prevail), effective upon 30 days written notice to the Developer, if the Developer breaches any other provision of this Agreement and fails to cure the default during such 30-day period. In that event, this Agreement will terminate without further notice to the Developer, effective upon expiration of the 30-day period. Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within the 30-day period and the Developer has commenced and is continuing to make good faith efforts to cure the breach during the 30-day period, the Developer shall be given an additional reasonable period of time to cure the breach, and this Agreement shall not automatically terminate without written notice from the Franchisor.

9.3 **Rights and Obligations of Developer Upon Termination or Expiration**.

a. **Loss of Development Rights**. Upon termination or expiration of this Agreement for any reason, the development rights granted to the Developer under this Agreement will automatically terminate and the Developer agrees to immediately and permanently cease its development activities. The Franchisor will then have no further obligation to grant the Developer additional franchises for BAD ASS COFFEE OF HAWAII Shops and the Franchisor will be free to establish and operate, and grant other persons franchises to establish and operate, BAD ASS COFFEE OF HAWAII Shops within the former Development Area.

b. **Marks and Confidential Information**. Except in connection with Shops the Developer is then operating under effective Franchise Agreements with the Franchisor, or with respect to which a Franchise Agreement has been signed prior to the date of expiration or termination of this Agreement, the Developer agrees to immediately and permanently cease to use, by advertising or in any manner whatsoever, the Marks and Confidential Information; slogans, trademarks, trade names, service marks, designs, trade dress or logos which are similar in nature to the Marks; or any equipment, materials, forms, confidential methods, procedures, recipes and techniques associated with or similar to the BAD ASS COFFEE OF HAWAII system or which display the Marks or any other distinctive forms, slogans, signs, symbols, trade dress or devices associated with or belonging to the Franchisor or its affiliates.

c. **Restrictive Covenants**. Abide by all restrictive covenants set forth in this Agreement.

d. **Continuing Obligations**. All of the Franchisor's and the Developer's (and the Developer's owners) obligations under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement, until they are satisfied in full or by their nature expire.

9.4 **State and Federal Law**. THE PARTIES ACKNOWLEDGE THAT IN THE EVENT THAT THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE STATE OR FEDERAL LAW, SUCH LAW SHALL GOVERN THE DEVELOPER'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT.

10. BUSINESS RELATIONSHIP

10.1 **Independent Businesspersons**. The parties acknowledge that each of them is an independent businessperson, that their only relationship is by virtue of this Agreement and that no fiduciary relationship

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is created hereunder. Neither party is liable or responsible for the other's debts or obligations, nor shall either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business authorized by or conducted pursuant to this Agreement. Neither the Franchisor nor the Developer will hold themselves out to be the agent, employer or partner of the other and neither the Franchisor nor the Developer has the authority to bind or incur liability on behalf of the other.

10.2 Payment of Third-Party Obligations. The Franchisor shall have no liability for the Developer's obligations to pay any third parties, including without limitation, banks, other lenders, government agencies, any product vendors, or any sales, use, service, occupation, excise, gross receipts, income, property or other tax levied upon the Developer, the Developer's property, the BAD ASS COFFEE OF HAWAII Shop(s) developed under this Agreement or upon the Franchisor in connection with the sales made or business conducted by the Developer (except any taxes the Franchisor is required by law to collect from the Developer with respect to purchases from the Franchisor).

10.3 Indemnification. The Developer shall indemnify, defend and hold harmless the Franchisor, its subsidiaries, parents and affiliates, and their respective shareholders, equity owners, partners, directors, officers, managers, members, employees, agents, representatives, successors and assigns (the "**Indemnified Parties**"), against, and to reimburse them for all claims, obligations, damages, fines, suits, proceedings, demands or actions of any kind or nature, including reasonable attorneys' fees, from anyone whomsoever, arising or growing out of, or otherwise connected with the Developer's activities, actions, or failure to act, under this Agreement, or directly or indirectly arising out of the Developer's operation of the BAD ASS COFFEE OF HAWAII Shop(s) developed under this Agreement. For purposes of this indemnification, claims shall mean and include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. The Franchisor shall have the right to defend any such claim against it. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

10.4 Anti-Terrorism Representation. Developer and its principal shareholders, members or owners ("**principals**") agree to comply with or to assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, Developer and its principals certify, represent, and warrant that none of their respective property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that neither Developer nor any of its principals are otherwise in violation of any of the Anti-Terrorism Laws. For the purposes of this Section, the term "Anti-Terrorism Laws" shall mean Executive Order 13224 issued by the President of the United States ("**Executive Order 13224**"), the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control, and any other government agency with jurisdiction over the parties to this Agreement or their actions) addressing or in any way relating to terrorist acts or acts of war. Developer and its principals certify that none of them, their respective employees, or anyone associated with any of them is listed in the Annex to Executive Order 13224 (the "**Annex**"), which is available at: **http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx**. Developer agrees not to knowingly hire any individual who is listed in the Annex (or, if he or she is already employed, retain the employment of that individual). Developer also agrees not to knowingly: (a) establish a new relationship with a person as an employee, principal, banker, or otherwise who is listed in the Annex (whether or not Franchisor has consented to a transfer involving such new principal); and (b) maintain a business relationship (whether

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with an employee, principal, banker, or otherwise) with a person who is added to the Annex. Developer certifies that it has no knowledge or information that, if generally known, would result in Developer or its principals, its employees, or anyone else associated with Developer to be listed in the Annex. Developer understands that it is solely responsible for ascertaining what actions it must take to comply with the Anti-Terrorism Laws. Any misrepresentation by Developer under this Section or any violation of the Anti-Terrorism Laws by Developer, its principals, its employees, or their respective affiliates shall constitute grounds for immediate termination of this Agreement, and any other Agreement Developer has entered into with Franchisor or one of Franchisor's affiliates.

11. RESTRICTIVE COVENANTS

11.1 **Non-Competition During Term**. The Developer acknowledges that, in addition to the training provided pursuant to this Agreement and the Franchise Agreements and the license of the Marks under the Franchise Agreements, the Franchisor has also licensed commercially valuable information which comprises and is a part of the Licensed Methods, including without limitation, operations, proprietary products, proprietary product formulas, vendor lists, marketing, advertising and related information and materials and that the value of this information derives not only from the time, effort and money which went into its compilation, but from the usage of the same by all the Developers and franchisees of the Franchisor using the Marks and Licensed Methods. Therefore, other than the BAD ASS COFFEE OF HAWAII Shop(s) authorized by separate agreement(s) with the Franchisor, neither the Developer nor any of the Developer's officers, directors, shareholders, equity owners, members, managers or partners, nor any member of his or their immediate families who are directly involved in the management and operations of the BAD ASS COFFEE OF HAWAII Shop(s), shall during the term of this Agreement:

a. have any direct or indirect controlling interest as a disclosed or beneficial owner in a "Competitive Business" as defined below;

b. perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business; or

c. divert or attempt to divert any business related to, or any client or account of any BAD ASS COFFEE OF HAWAII Shop, the Franchisor's business or any other BAD ASS COFFEE OF HAWAII Developer's business, by direct inducement or otherwise, to any Competitive Business by any direct inducement or otherwise.

d. The term "**Competitive Business**" as used in this Agreement shall mean any business operating or granting franchises or licenses to others to operate, either (i) a retail coffee shop deriving more than 5% of its net sales from the sale of coffee-based beverages; or (ii) a wholesale business deriving more than 5% of its net sales from the sale of roasted coffee beans. Notwithstanding the foregoing, the Developer shall not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 5% or less of that class of securities issued and outstanding.

11.2 **Confidentiality of Proprietary Information**. The Developer and the Franchisor acknowledge that the distinctive business format, plans, methods, data, processes, marketing systems, manuals, product formulas, techniques, designs, layouts, operating procedures, trademarks, proprietary marks and information and know-how of the Franchisor which are developed and utilized in connection with the Licensed Methods are proprietary and confidential ("**Confidential Information**"). Such Confidential Information is unique, exclusive property and a trade secret of the Franchisor and has valuable goodwill associated with it. The Developer acknowledges that any unauthorized disclosure or use of the Confidential Information would be wrongful and would cause irreparable injury and harm to the Franchisor. It is

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understood that Confidential Information is deemed to include, without limitation, recipes, coffee blends, coffee roasting methods, customer lists, vendor lists, formulas, any and all information contained in the Operations Manual (as described in the Franchise Agreement), and any information of whatever nature which gives the Franchisor and its affiliates an opportunity to obtain an advantage over its competitors who do not have access to, know or use such recipes, blends, methods, lists, written materials, formulas or information. The Developer further acknowledges that the Franchisor has expended a great amount of effort and money in obtaining and developing the Confidential Information, that the Franchisor has taken numerous precautions to guard the secrecy of the Confidential Information, that it would be very costly for competitors to acquire or duplicate the Confidential Information and that any unauthorized disclosure of such Confidential Information shall cause irreparable harm to the Franchisor. Consequently, the Developer shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Franchisor or the BAD ASS COFFEE OF HAWAII Shop(s) developed under this Agreement, any of the Confidential Information of the Franchisor or its affiliates. The Franchisor and the Developer agree that the Confidential Information does not include information that is generally available to the public.

11.3 **Confidentiality Agreement**. The Franchisor requires and the Developer agrees to cause each of its officers, directors, partners, shareholders, equity owners, members, managers, Principal Managers, District Managers, Shop managers, and, if the Developer is an individual, immediate family members, to execute a Nondisclosure and Noncompetition Agreement containing the above restrictions, in a form approved by the Franchisor.

12. VARIATION IN STANDARDS

12.1 **Variation in Standards**. Since complete uniformity under varying conditions may be impossible or impractical, the Franchisor specifically reserves the right to vary standards for any developer, including the Developer, based upon the peculiarities of a particular site or circumstances, density of population, business potential, existing business practices, or any other condition which the Franchisor deems to have a significant effect on the successful operation of such developer's business. The Developer will not complain on account of any variation from standard specifications and practices granted to any other developer and will not be entitled to require the Franchisor to grant the Developer a like or similar variation hereunder.

13. MISCELLANEOUS PROVISIONS

13.1 **Modification**. The Franchisor and/or the Developer may modify this Agreement only upon execution of a written agreement between the two parties.

13.2 **Entire Agreement**. This Agreement, including all exhibits and addenda, contains the entire agreement between the parties and supersedes any and all prior agreements, both oral and written, concerning the subject matter hereof, provided that all Franchise Agreements executed by the parties hereto shall remain binding, except to the extent that this Agreement specifically supersedes any term of any Franchise Agreement, but only for so long as this Agreement is in effect. No modifications of this Agreement shall be effective except those in writing and signed by both parties. The Franchisor does not authorize any representation of any nature other than those expressed in this Agreement, the Franchise Agreement or in any related agreement, but nothing in this Agreement, the Franchise Agreement or in any related agreement is intended to disclaim the representations made by the Franchisor in the most recent franchise disclosure document that the Franchisor or its representative provided to the Developer.

13.3 **Delegation by the Franchisor**. From time to time, the Franchisor shall have the right to delegate the performance of any portion or all of its obligations and duties hereunder to third parties, whether the

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same are agents of the Franchisor or independent contractors which the Franchisor has contracted with to provide such services. The Developer agrees in advance to any such delegation by the Franchisor of any portion or all of its obligations and duties hereunder.

13.4 Dispute Resolution/Governing Law/Consent to Venue and Jurisdiction.

a. Developer must first bring any claim or dispute between Developer Affiliates (as defined below) and Franchisor Affiliates (as defined below) to Franchisor's CEO, after providing notice as set forth herein. Developer must exhaust this internal dispute resolution procedure before Developer may bring Developer's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

b. At Franchisor's option, all claims or disputes between Developer, its officers, directors or managers (collectively, "Developer Affiliates") and Franchisor, its officers, directors, managers or sales employees (collectively, "Franchisor Affiliates") arising out of, or in any way relating to, this Agreement or any other agreement by and between Developer Affiliates and Franchisor Affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure sent forth above, must be submitted first to nonbinding mediation, in or near Centennial, Colorado, under the auspices of the American Arbitration Association ("AAA"), in accordance with the AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Developer must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Developer as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Developer may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party shall bear its own cost of mediation and Franchisor and Developer shall share mediation costs equally. This agreement to mediate shall survive any termination or expiration of this Agreement. The parties agree that there will be no class action mediation. The parties shall not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in Franchisor's Marks or any Confidential Information; or (ii) any of the restrictive covenants contained in this Agreement.

c. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 *et seq*.) or other federal law, this Agreement shall be interpreted under the laws of the state of Colorado and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of Colorado, which laws shall prevail in the event of any conflict of law. The Developer and the Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim not subject to mediation as set forth above is asserted in any legal proceeding involving Developer Affiliates and Franchisor Affiliates, all parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Colorado, in Denver, Colorado and each waive any objection they may have to the personal jurisdiction of or venue in the state and federal courts of

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Colorado. THE FRANCHISOR, THE FRANCHISOR AFFILIATES, THE DEVELOPER AND THE DEVELOPER AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.

13.5 Injunctive Relief. The Franchisor and the Developer shall each have the right in the proper case to obtain injunctive relief from a court of competent jurisdiction. The Developer agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds totaling more than $500, but upon due notice, and the Developer's sole remedy in the event of the entry of such injunctive relief shall be the dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by the Developer.

13.6 Effective Date. This Agreement shall not be effective until accepted by the Franchisor as evidenced by dating and signing by an officer or manager of the Franchisor.

13.7 Review of Agreement. The Developer acknowledges that it had a copy of this Agreement in its possession for a period of time not less than 14 calendar days or 10 full business days, whichever is applicable, during which time the Developer has had the opportunity to submit same for professional review and advice of the Developer's choosing prior to freely executing this Agreement.

13.8 Attorneys' Fees. In the event of any default on the part of either party to this Agreement, in addition to all other remedies, the party in default will pay the aggrieved party all amounts due and all damages, costs and expenses, including reasonable attorneys' fees, incurred by the aggrieved party in any legal action, arbitration or other proceeding as a result of such default, plus interest at the highest rate allowable by law, accruing from the date of such default.

13.9 No Waiver. No waiver of any condition or covenant contained in this Agreement or failure to exercise a right or remedy by the Franchisor or the Developer shall be considered to imply or constitute a further waiver by the Franchisor or the Developer of the same or any other condition, covenant, right or remedy.

13.10 Invalidity. If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority, arbitrator or other arbiter of any dispute arising hereunder, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement which shall otherwise remain in full force and effect. If the restrictions concerning the time duration, geography, affected individuals or entities, or breadth of activity contained in Article 11 are held to be unenforceable under any applicable law, the arbiter of any dispute regarding this Agreement is hereby authorized to and shall make only such limited changes as are necessary to make the restrictions enforceable.

13.11 Notices. All written notices required to be given under this Agreement shall be given in writing, by electronic mail, by certified mail, return receipt requested, or by an overnight delivery service providing documentation of receipt, at the address set forth in the preamble to this Agreement or at such other addresses as the Franchisor or the Developer may designate from time to time. Notices shall be deemed delivered one business day after transmission by electronic mail; one business day after being placed in the hands of a commercial courier service for overnight delivery; or three business days after being deposited in the United States Mail, postage prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified in writing.

13.12 Authorization to Communicate Electronically; Prompt Response Required. By executing this Agreement, the Developer authorizes the Franchisor and its affiliates and approved suppliers, to communicate with the Developer electronically, including via electronic mail or text message, and unless a written communication is required, to communicate with the Developer via telephone, notwithstanding

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whether any or all of the Developer's telephone numbers appear on a state or federal do-not-call registry. The Developer acknowledges and agrees that it is critical to the efficient and successful administration of the franchise relationship that the Developer promptly responds to all communications from the Franchisor. Accordingly, the Developer agrees to respond within five business days to each communication from the Franchisor.

13.13 Force Majeure. "**Force Majeure**" means an event that prevents a party to this Agreement from performing that is not the fault of or within the reasonable control of the party claiming Force Majeure. Force Majeure includes acts of god, fires, strikes, war, terrorism, riot, governmental laws or restrictions, or any other similar event or cause rendering performance of the contract impossible. Except with respect to payment obligations, neither party shall be deemed to be in breach of this Agreement if a party's failure to perform its obligations results from Force Majeure and any delay resulting from Force Majeure will extend performance accordingly or excuse performance in whole or in part as may be reasonable. Force Majeure does not include the Developer's financial inability to perform, inability to obtain financing, inability to obtain permits or licenses or any other similar events unique to the Developer or to general economic downturn or conditions. If the Developer is affected by an event of Force Majeure, it shall provide a prompt written request for relief to the Franchisor describing and setting forth the nature of the Force Majeure, an estimate as to its duration, and a plan for resuming full compliance with this Agreement. The Franchisor will have full discretion whether to grant or deny any request for relief. If the Developer fails to provide the required notice it shall be liable for failure to give such timely notice only to the extent of damage actually caused.

13.14 Electronic Signatures. The parties hereby acknowledge and agree that electronic signatures, in such form and manner as the Franchisor may prescribe from time to time, shall be legal and binding and shall have the same full force and effect as if an original of this Agreement had been signed and delivered by hand. The Franchisor and the Developer both (i) intend to be bound by the signatures (whether original or electronic) on any document sent or signed electronically, (ii) are aware that the other party will rely on such signatures, and (iii) hereby waive any defenses to the enforcement of the terms of this Agreement based on the foregoing forms of signature.

13.15 No Third-Party Beneficiaries. The Developer acknowledges and agrees that neither the Developer nor any of its officers, directors, members, managers, employees, affiliates, successors or assigns shall be deemed a third-party beneficiary of any agreement between the Franchisor and another Developer or any other party, unless specifically agreed to by the Franchisor in writing.

13.16 Survival of Provisions. Any provisions that by their terms extend beyond termination or expiration of this Agreement shall continue in full force and effect subsequent to and notwithstanding the termination or expiration of this Agreement.

13.17 Payment of Taxes. The Developer shall reimburse the Franchisor, or its affiliates and designees, promptly and when due, the amount of all sales taxes, use taxes, personal property taxes and similar taxes imposed upon, required to be collected or paid by the Franchisor, or its affiliates or designees, on account of services or goods furnished by the Franchisor, its affiliates or designees, to the Developer through sale, lease or otherwise (except for any taxes the Franchisor or its affiliates are required by law to collect from the Developer with respect to products purchased from the Franchisor and its affiliates). Payment of all such taxes is Developer's responsibility.

13.18 Cumulative Rights. The rights and remedies of the Franchisor and the Developer hereunder are cumulative and no exercise or enforcement by the Franchisor or the Developer of any right or remedy hereunder shall preclude the exercise or enforcement by the Franchisor or the Developer of any other right or remedy hereunder which the Franchisor or the Developer is entitled by law to enforce.

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13.19 **Acknowledgement**. BEFORE SIGNING THIS AGREEMENT, THE DEVELOPER SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL. THE DEVELOPER ACKNOWLEDGES THAT: THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED HEREIN INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON THE DEVELOPER'S ABILITY AS AN INDEPENDENT BUSINESSPERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS.

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above set forth.

ROYAL ALOHA FRANCHISE COMPANY, LLC

By:_____

Name:_____
Title:_____

DEVELOPER:

_____
(Print Name)

_____
Individually

Address:_____
City:_____
State:_____ Zip:_____

Phone:_____

Email:_____

OR:

(if a corporation or partnership)

_____
Company Name

By:_____
Name:_____
Title:_____
Address:_____
City:_____
State:_____ Zip:_____

Phone: _____

Email: _____

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EXHIBIT I
TO DEVELOPMENT AGREEMENT

DEVELOPMENT FEE, DEVELOPMENT SCHEDULE & DEVELOPMENT AREA

1. The Development Fee (Section 4.1) is: $_____

2. The Development Area (Section 2.1) is comprised of the following geographic area:

_____

_____

_____

(☐ check box if map is attached; in the event of any conflict between the map and the written description, the written description will control.)

3. The Development Schedule (Section 5.1) is as follows:

Development Deadline	Minimum Total Number of Shops Open for Business in Development Area

Fully executed on _____, 20___.

ROYAL ALOHA FRANCHISE COMPANY, LLC

By: _____
Title: _____

DEVELOPER

By: _____
Title: _____

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EXHIBIT II
TO DEVELOPMENT AGREEMENT

STATEMENT OF OWNERSHIP

Developer: _____

Trade Name (if different from above): _____

Legal Entity/Ownership Mailing Address: _____

_____

Legal Entity/Ownership Primary Contact: _____

Legal Entity/Ownership Phone: _____

Legal Entity/Ownership Email: _____

Form of Ownership
(Check One)

_____ Individual _____ Partnership _____ Corporation _____ Limited Liability Company

If a Partnership, provide name, address, email, and phone number of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a Limited Liability Company, provide name, addresse, email and phone number of each member and each manager showing percentage owned and indicate the state and date of organization.

If a Corporation, give the state and date of incorporation, the name, address, email and phone number of each officer and director, and list the name, address, email and phone number of every shareholder showing what percentage of stock is owned by each.

_____

_____

_____

Developer acknowledges that this Statement of Ownership applies to the BAD ASS COFFEE OF HAWAII Shop authorized under the Development Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to the Franchisor in writing.

_____ _____

Date Name

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EXHIBIT III
TO DEVELOPMENT AGREEMENT

FRANCHISE AGREEMENT

(See Exhibit B to the Franchise Disclosure Document)

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EXHIBIT D

AMENDMENT TO FRANCHISE AGREEMENT (RENEWAL)

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AMENDMENT TO
ROYAL ALOHA FRANCHISE COMPANY, LLC FRANCHISE AGREEMENT
(RENEWAL)

ROYAL ALOHA FRANCHISE COMPANY, LLC ("**Franchisor**") and ("**Franchisee**") entered into a certain Franchise Agreement ("**Agreement**") on _____ ___, 20__, and desire to supplement and amend certain terms and conditions of such Agreement by this Amendment ("**Amendment**"). The parties therefore agree as follows:

1. **Initial Franchise Fee**. Section 4.1 is deleted in its entirety.

2. **Approval of Franchised Location**. Section 5.1 is deleted in its entirety.

3. **Shop Upgrades**. Sections 5.3, 5.4, 5.5, 5.6 and 5.7 are amended to include the following:

Within ( ) days of the date of this Amendment, Franchisee agrees to upgrade and remodel the BAD ASS COFFEE OF HAWAII Shop and its operations as described on Exhibit A to this Amendment.

4. **Commencement of Operations**. Section 5.9 is deleted in its entirety.

5. **Initial Training**. Section 6.1 is deleted in its entirety.

6. **Franchisor's Development Assistance**. Section 7.1 is deleted in its entirety.

7. **Release**. Franchisee, for itself and its affiliates, and their respective current and former successors, assigns, officers, shareholders, directors, members, managers, agents, heirs and personal representatives ("**Franchisee Affiliates**"), hereby fully and forever unconditionally releases and discharges Franchisor and its affiliates, and their respective successors, assigns, agents, representatives, employees, officers, shareholders, directors, members, managers and insurers (collectively referred to as "**Franchisor Affiliates**") from any and all claims, demands, obligations, actions, liabilities and damages of every kind and nature whatsoever ("**Released Claims**"), in law or in equity, whether known or unknown, which Franchisee or Franchisee Affiliates may now have against Franchisor or Franchisor Affiliates or which may hereafter be discovered. Without limiting the foregoing, Released Claims includes, but is not limited to, all claims, demands, obligations, actions, liabilities and damages, known or unknown, in any way arising from or relating to: (i) any relationship or transaction with Franchisor or Franchisor Affiliates, (ii) the Franchise Agreement or any related agreements, and (iii) the franchise relationship, from the beginning of time until the date of this Amendment.

In addition, to the extent California or South Dakota law applies to this release, the Franchisee, on behalf of itself and Franchisee Affiliates, agrees as follows:

(a) Release of Unknown Claims and Waiver of California Law. Franchisee and Franchisee Affiliates acknowledge that they are aware and informed that the laws of California may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of the release, such as Section 1542 of the Civil Code of the State of California, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release which, if known by him, must have materially affected his or her settlement with the debtor."

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Franchisee and Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under Section 1542 of the Civil Code of the State of California, and under any similar provisions of any other law (as may be applicable to this Amendment), to the fullest extent that Franchisee and Franchisee Affiliates may lawfully waive such right or benefit pertaining to the subject matter of this Amendment. In connection with such waiver and relinquishment, with respect to the Released Claims, Franchisee and Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that they now know or believe to be true with respect to the subject matter of this Amendment, but that it is Franchisee's and Franchisee Affiliates' intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. Franchisee and Franchisee Affiliates agree to defend, indemnify and hold harmless Franchisor and Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by Franchisee and Franchisee Affiliates (or any person or entity by, through, or on their behalf) of any Released Claims, positions, defenses, or arguments contrary to this Section 7(a) of this Amendment.

(b) Release of Unknown Claims and Waiver of South Dakota Law. Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that the laws of South Dakota may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of the release, such as South Dakota Codified Laws § 207-11, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Franchisee and Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under § 20-7-11 of the South Dakota Codified Laws, and under any similar provisions of any other law (as may be applicable to this Amendment), to the fullest extent that they may lawfully waive such right or benefit pertaining to the subject matter of this Amendment. In connection with such waiver and relinquishment, with respect to the Released Claims, Franchisee and Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that Franchisee and Franchisee Affiliates now know or believe to be true with respect to the subject matter of this Amendment, but that it is their intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. Franchisee and Franchisee Affiliates agree to defend, indemnify and hold harmless Franchisor and Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by Franchisee and Franchisee Affiliates (or any person or entity by, through, or on behalf of Releasor) of any Released Claims, positions, defenses, or arguments contrary to this Section 7(b) of this Amendment.

8. **Successor Franchise Fee**. Franchisor acknowledges receipt of $5,000 from Franchisee in payment of the successor franchise fee.

9. **Effectiveness of Agreement**. The terms and conditions of this Amendment are in addition to or in explanation of the existing terms and conditions of the Agreement and shall prevail over and supersede any inconsistent terms and conditions thereof.

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Fully executed this ____ day of _____, 20__.

ROYAL ALOHA FRANCHISE COMPANY, LLC

By: _____
Title: _____
Date: _____

FRANCHISEE:

By: _____
Title: _____
Date: _____

OR

_____
Individually

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EXHIBIT A

SHOP UPGRADES

1. _____

2. _____

3. _____

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2026 FDD - Exhibits

EXHIBIT E

CURRENT FRANCHISEES

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EXHIBIT E

CURRENT FRANCHISEES

ROYAL ALOHA FRANCHISE COMPANY, LLC LIST OF FRANCHISEES IN OPERATION
As of December 31, 2025

NAME	ADDRESS	TELEPHONE NO.
ALABAMA		
AWA Gulf Coast Coffee, LLC*	24824 Canal Road Orange Beach AL 36561	859-509-5089
ARIZONA		
Brazen Burro Coffee Corporation*	50 W Jefferson Street, Ste 170 Phoenix AZ 85003	480-532-4706
Cheeky Donkey Coffee, LLC*	2100 S. Gilbert Road, Ste 22 Chandler AZ 85286	480-532-4706
Cheeky Donkey Coffee, LLC*	8363 W Van Buren Street, #E-1 Tolleson AZ 85353	480-532-4706
CALIFORNIA		
Bica Borba, LLC*	17245 17th Street Tustin CA 92780	951-295-8086
Dancing Dragons, Inc.*	90 Mark West Springs Rd, Suite 100 Santa Rosa CA 95403	707-665-9507
Dancing Dragons, Inc.*	140 Stony Point Rd, Ste E Santa Rosa CA 95401	707-665-9507
Dave Wagner	11460 Kenyon Way, Ste 108 Rancho Cucamonga CA 91701	909-437-9862
William Martinez	14101 Main Street, #103 Hesperia CA 92345	760-486-3864
COLORADO		
Ohana Company, LLC	8264 Scenic Ridge Fort Collins CO 80528	970-690-9442
Peaks to Waves Belmar, LLC*	7250 W Alaska, Ste 200 Lakewood CO 80226	720-647-5152
Peaks to Waves Baseline, LLC*	2850 Baseline Road, Ste A-4 Boulder CO 80303	720-647-5152
Paniola Coffee Company, LLC*	7980 Woodmen Center Heights, #100 Colorado Springs CO 80908	719-237-9585
Paniola Coffee Company, LLC*	13491 Bass Pro Drive Colorado Springs CO 80921	719-237-9585
Paniola Coffee Company, LLC*	11910 Tourmaline Dr, Bldg D, Ste 178 Peyton CO 80831	719-237-9585
FLORIDA		
Aloha Auggies, LLC*	4085 A1A South, Unit A100 St. Augustine FL 32080	262-894-3093
AWA Gulf Coast Coffee, LLC*	1708 Scenic Gulf Drive Miramar Beach FL 32550	859-509-5089
AWA Coffee Tennessee, LLC*	5 Via De Luna Dr, Ste D Pensacola Beach FL 32561	859-509-5089

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NAME	ADDRESS	TELEPHONE NO.
Bad Ass Naples, LLC*	1200 5th Ave South, Bldg 1, Ste 107 Naples FL 34102	617-842-3257
Bad Ass Naples, LLC*	1307 3rd Street South Naples FL 34102	617-842-3257
Elm Nap, LLC*	6588 University Pkwy, #100 Sarasota FL 34240	630-632-3831
High Caffeine, Inc*	505 Gulfview Road Clearwater Beach FL 33767	727-946-8727
High Caffeine, Inc*	25195 SR 54 Lutz FL 33559	727-946-8727
Marquee Coffee I, LLC*	1400 Gulf Shore Blvd North, Ste 148 Naples FL 34102	312-533-8414
Marquee Coffee II, LLC*	1103 Central Ave Naples FL 34102	312-533-8414
Marquee Coffee II, LLC*	7205 Estero Blvd, Unit F660 Fort Myers Beach FL 33931	312-533-8414
HAWAII		
Chris Burns*	3636 Lower Honoapiilani Hwy Lahaina HI 96761	808-280-9130
KENTUCKY		
AWA Coffee Tennessee, LLC*	1999 Richmond Rd, Ste 300 Lexington KY 40502	859-509-5089
AWA Coffee Tennessee, LLC*	3070 Lakecrest Circle, Ste 600 Lexington KY 40514	859-509-5089
NEVADA		
Nevada Rush Enterprises, LLC*	2300 E Lake Mead Blvd North Las Vegas NV 89030	702-271-7701
Zander, LLC*	6150 W Charleston Blvd Las Vegas NV 89146	702-501-3807
NEW JERSEY		
Bowman Hospitality Group, LLC*	14 Lincoln Madison NJ 07940	908-240-8988
Latte Larry's Inc.	50 Main Street, Space A Hackensack NJ 07601	201-697-4218
SOUTH CAROLINA		
Beach Donkey, LLC*	1708 US-17 Business Surfside Beach SC 29575	404-731-9791
TENNESSEE		
AWA Coffee Tennessee, LLC*	1608 21st Ave S Nashville TN 37212	859-509-5089
TEXAS		
Mahalo E Kope, LLC	1301 S Central Expwy McKinney TX 75070	512-393-4743
Makers, LLC*	11700 FM 423 Little Elm TX 75068	201-281-2069
RPC Ventures, LLC*	12904 Fry Rd, Ste 400 Cypress TX 77433	713-256-8040
RPC Ventures, LLC*	11930 Barker Cypress Rd, Ste 800 Cypress TX 77433	713-256-8040
UTAH		

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NAME	ADDRESS	TELEPHONE NO.
Tired to Wired, LLC	7794 So. Gardner Stop Way, Ste 1 West Jordan UT 84088	702-843-9146
VIRGINIA		
L2 Ohana Cafe, LLC*	3701 N Fairfax Dr. Ste 150 Arlington VA 22203	571-276-6392
L2 Ohana Cafe LLC*	2466 Mandeville Ln Alexandria VA 22314	571-276-6392
MMM Coffee, LLC	619 18th Street Virginia Beach VA 23451	757-233-4007

*Multi-Unit Developer

The following are franchisees who had signed a Franchise Agreement but whose business was not yet open as of December 31, 2025.

NAME	ADDRESS	TELEPHONE NO.
ALABAMA		
AWA Gulf Coast Coffee, LLC*	520 West Beach Blvd Gulf Shores AL 36542	859-509-5089
ARIZONA		
Donkey 1 AZ, Inc.*	11867 N. 118th Street Scottsdale AZ 85259	650-714-7115
FLORIDA		
Asino Corporation*	1231 Beach Road Englewood FL 34223	309-275-7329
High Caffeine of NPR Inc.*	5243 Little Rd, Ste 1 New Port Richey FL 34655	727-946-8727
TJC Recreation, LLC*	1821 Corolla Court Deltona FL 32738	765-499-0799
HAWAII		
Polynesian Coffee Partners, LLC*	3502-C Waialae Ave Honolulu HI 96816	808-721-3372
KENTUCKY		
NDL, LLC*	7368 Wolfspring Trace Louisville KY 40241	502-523-6511
NEVADA		
Ninth Island Coffee, LLC*	6446 N Durango Drive, #105 Las Vegas NV 89149	702-580-6973
Zander II, LLC*	2590 St. Rose Pkwy Henderson NV 89074	702-501-3807
Zander II, LLC*	1820 Craig Road North Las Vegas NV 89030	702-501-3807
NEW JERSEY		
Bowman Hospitality Group, LLC*	Plaza 35, 1825 Route 35 Wall NJ 07719	908-240-8988
SOUTH CAROLINA		
E3 Enterprises Inc.*	220 W White Street, 1G-B Rock Hill SC 29730	980-216-9496
Tree Tunnel Coffee, LLC*	2254 Tillage Street Mount Pleasant SC 29466	843-801-3057
TENNESSEE		

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NAME	ADDRESS	TELEPHONE NO.
Greene Bean Coffee Company, LLC*	122 Stadium Way Knoxville TN 37915	865-803-8457
TEXAS		
Brandon Lind*	Golden Triangle Blvd & Park Vista Blvd Fort Worth TX 76244	714-269-8663
Volcanic Bean, LLC*	34590 IH-10 West Boerne TX 80303	830-243-1922
WISCONSIN		
Golden Oil Company	11302 12th Street Sturtevant WI 53177	608-449-0777
Marquee Coffee II, LLC*	736 & 738 West Main St Lake Geneva WI 53147	312-533-8414

*Multi-Unit Developer

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EXHIBIT F

FRANCHISEES WHO HAVE LEFT THE SYSTEM

ROYAL ALOHA FRANCHISE COMPANY, LLC FRANCHISED UNITS THAT HAVE CLOSED, TRANSFERRED, BEEN TERMINATED OR OTHERWISE LEFT THE SYSTEM DURING FISCAL YEAR 2025

The following Royal Aloha Franchise Company, LLC franchised units have closed, transferred, terminated or otherwise left the system during fiscal year 2025. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

NAME	ADDRESS	TELEPHONE NO.
AWA Coffee Tennessee, LLC	613 TN – 76 White House TN 37188	859-509-5089
Bama Brew, LLC	38 South Blue Angel Pkwy, Ste 270 Pensacola FL 32506	850-549-6024
Bay Brew, LLC	13430 Gulf Beach Highway Pensacola FL 32507	850-497-0202
Dude Ranch Enterprises, LLC*	2990 North Speer Blvd, Ste 1 Denver CO 80211	719-237-9585
Crab Island Coffee Company, LLC	5 Via De Luna Dr, Ste D Pensacola FL 32561	850-549-6024
Emerald Coast Coffee, LLC	203 Ventana Blvd Santa Rosa Beach FL 32459	850-549-6024
Primetime Coffee Company II, LLC	Campus Hub, 685 S Limestone Lexington KY 40508	859-585-2404
Uptown Coffee Company, LLC	17 Uptown Grayton Circle Santa Rosa Beach FL 32459	850-549-6024
US Freight & Logistics LLC	1354 Bear Brook Ave Henderson NV 89074	702-843-9146
Warhorse Spring Hill Java, LLC	231 Public Square, Ste 300 Franklin TN 37064	615-800-2955

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EXHIBIT G

FINANCIAL STATEMENTS

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ROYAL ALOHA FRANCHISE COMPANY, LLC AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024, AND 2023

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THE ADAMS GROUP, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Directors
Royal Aloha Franchise Company, LLC and Subsidiary
Centennial, Colorado

Opinion
We have audited the accompanying consolidated financial statements of Royal Aloha Franchise Company, LLC and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2025, 2024, and 2023, and the related consolidated statements of operations and member's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Royal Aloha Franchise Company, LLC and Subsidiary as of December 31, 2025, 2024, and 2023, 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.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Royal Aloha Franchise Company, LLC and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Royal Aloha Franchise Company, LLC and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Royal Aloha Franchise Company, LLC and Subsidiary's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Royal Aloha Franchise Company, LLC and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

The Adams Group, LLC

Greenwood Village, Colorado
March 13, 2026

ROYAL ALOHA FRANCHISE COMPANY, LLC AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

December 31,	2025	2024	2023
Assets			
Current assets			
Cash and cash equivalents	$ 86,961	$ 313,877	$ 1,100
Restricted cash	83,568	160,977	120,729
Accounts receivable, net	93,769	186,044	79,555
Related party receivable	0	56,466	241,619
Prepaid and other assets	20,350	29,950	20,449
Total current assets	284,648	747,314	463,452
Long-term assets			
Deposit	0	2,500	2,500
Right-of-use operating lease assets, net	76,644	26,743	59,409
Property and equipment, net	18,186	3,814	6,641
Goodwill, net	42,349	54,449	66,549
Intangible assets, net	0	1,277	7,729
Total long-term assets	137,179	88,783	142,828
Total Assets	$ 421,827	$ 836,097	$ 606,280
Liabilities and Member's Equity			
Current liabilities			
Accounts payable	$ 206,280	$ 64,849	$ 122,345
Accrued expenses	25,623	40,299	60,270
Accrued liability - gift cards	212,501	160,977	120,729
Right-of-use operating lease liabilities	28,119	32,149	39,035
Total current liabilities	472,523	298,274	342,379
Long-term liabilities			
Right-of-use operating lease liabilities, net of current portion	54,607	0	32,149
Due to related parties	69,110	69,110	69,110
Total long-term liabilities	123,717	69,110	101,259
Total Liabilities	596,240	367,384	443,638
Member's equity (deficit)	(174,413)	468,713	162,642
Total Liabilities and Member's Equity	$ 421,827	$ 836,097	$ 606,280

See notes to consolidated financial statements and independent auditors' report.

ROYAL ALOHA FRANCHISE COMPANY, LLC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS AND MEMBER'S EQUITY (DEFICIT)

For the Years Ended December 31,	2025	2024	2023
Income			
Royalty fees	$ 1,241,774	$ 1,007,732	$ 908,380
Royalty fees - related party	0	56,466	241,619
Franchise fees and other	987,090	1,422,919	687,545
Advertising fund contributions	497,014	409,611	360,354
Other income/(loss)	17,110	6,443	109,062
Total income	2,742,988	2,903,171	2,306,960
Operating expenses			
Professional fees	972,981	691,412	609,235
Wages and benefits	1,173,008	1,159,778	948,100
RACC contribution to ad fund	543,300	292,531	245,492
General and administrative	1,157,698	1,134,338	773,467
Depreciation and amortization	18,147	21,379	32,196
Lease expense	38,296	35,693	34,809
Total operating expenses	3,903,430	3,335,131	2,643,299
Net loss	$ (1,160,442)	$ (431,960)	$ (336,339)
Member's equity, beginning	468,713	162,642	(106,025)
Member contributions	517,316	738,031	605,006
Member's equity (deficit), end of year	$ (174,413)	$ 468,713	$ 162,642

The notes to consolidated financial statements and independent auditors' report.

ROYAL ALOHA FRANCHISE COMPANY, LLC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31,	2025	2024	2023
Cash flows from operating activities:			
Net loss	$ (1,160,442)	$ (431,960)	$ (336,339)
Adjustments to reconcile net loss to net cash used in operating activities:			
Bad debt expense, net of recoveries	60,000	2,338	171
Depreciation and amortization	18,147	21,379	32,196
Non-cash lease expense	676	(6,369)	(3,719)
Changes in operating assets and liabilities:			
Accounts receivable	32,275	(108,827)	(10,724)
Prepaid expenses and other assets	12,100	(9,501)	2,266
Related party receivable	56,466	185,153	(241,619)
Accounts payable	192,955	(18,571)	(2,950)
Accrued expenses	(14,676)	(18,648)	11,649
Net cash used in operating activities	(802,499)	(385,006)	(549,069)
Cash flows from investing activities:			
Purchase of capital assets	(19,142)	0	0
Cash flows from financing activities:			
Member contributions	517,316	738,031	605,006
Net increase (decrease) in cash and cash equivalents	(304,325)	353,025	55,937
Cash and cash equivalents at beginning of year	474,854	121,829	65,892
Cash and cash equivalents at end of year	$ 170,529	$ 474,854	$ 121,829
Reconciliation to balance sheets:			
Cash and cash equivalents	$ 86,961	$ 313,877	$ 1,100
Restricted cash	83,568	160,977	120,729
Total cash and cash equivalents	$ 170,529	$ 474,854	$ 121,829
Supplemental cash flow information:			
Right-of-use assets obtained in exchange for lease liabilities	$ 83,507	$ 0	$ 17,743

The notes to consolidated financial statements and independent auditors' report.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Royal Aloha Franchise Company, LLC ("RAF") and Subsidiary (collectively the "Company") is presented to assist in understanding the Company's consolidated financial statements. The consolidated financial statements and notes to the consolidated financial statements are representations of the Company, who is responsible for the integrity and objectivity of the consolidated financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America ("GAAP") and have been consistently applied in the preparation of the consolidated financial statements.

Description of Business

The Company was formed on June 14, 2019 in the State of Colorado, has one sole member, and shall continue until dissolution, termination or liquidation of the Company pursuant to the provisions of the Operating Agreement. The Company seeks to engage in the business of franchising coffee shops in various retail locations including stand-alone stores and kiosks within larger facilities, featuring proprietary coffee products, developed by the sole member under the service mark and trademark "Bad Ass Coffee of Hawaii".

On July 6, 2020, the Company formed a wholly owned subsidiary Royal Aloha Gift Card, LLC ("RAGC"). The purpose of RAGC is to administer a gift card sales program, whereby, gift cards may be sold and redeemed at the various franchisee retail locations. RAGC will collect funds from gift cards sold by franchisees and remit payment to franchisees when gift cards are redeemed. Accordingly, RAGC recognizes a receivable for gift cards sold pending remittance, which is included in accounts receivable, net, from the franchisee and a liability for gift cards outstanding. No other transactions occur at RAGC.

As of December 31, the Company had the following franchise agreements in place with various termination dates through 2035:

	2025	2024	2023
Franchise agreements at January 1	59	48	39
Executed during the year:	9	16	14
Non-Renewal/Closed/Terminated during the year:	(9)	(5)	(5)
Franchise agreements at December 31	59	59	48

As of December 31, 2025, 2024, and 2023, eighteen, twenty-six and fifteen franchisees have not commenced operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company is a wholly owned subsidiary of Royal Aloha Coffee Company, LLC ("RACC"). Royal Aloha Enterprises, LLC ("RAE") is an affiliate of the Company through common ownership by RACC. RAE sells roasted coffee and other goods to the Company's franchisees and sells packaged coffee and merchandise through retail sales to end consumers.

Basis of Presentation

The Company follows accounting standards set by the Financial Accounting Standards Board, commonly referred to as the "FASB". The FASB sets GAAP the Company follows to ensure the financial statements are consistently reported. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification, sometimes referred to as the "Codification" or "ASC." The accompanying consolidated financial statements include the accounts of RAF and RAGC for the years ended December 31, 2025, 2024, and 2023. Intercompany transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers all deposits that can be redeemed on demand and investments that have an original maturity of three months or less, when purchased, to be cash and cash equivalents.

Restricted Cash

Restricted cash represents cash held by the Company for the sale of gift cards that have not been redeemed. When gift cards are redeemed, the Company will remit payment to franchisees. Gift card balances are comprised of the following at December 31:

	2025	2024	2023
Restricted cash	$ 83,568	$ 160,977	$ 120,729
Accrued liability - gift cards	(212,501)	(160,977)	(120,729)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable represents royalty fees, franchise fees, and advertising fund contributions billed or unbilled, whereby the Company has the right to collection. The Company considers a reserve for doubtful accounts based on the creditworthiness and payment history of the individual franchisee. When circumstances suggest that collectability may not be reasonably assured, which is generally determined by nonpayment and age of outstanding receivables due from a franchisee, the Company will cease recording royalty income until other information or changes in circumstances indicate that collectability has become reasonably assured. The provision for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. As of December 31, 2025, 2024, and 2023, the allowance for doubtful accounts was $3,772, $3,771, and $935.

Goodwill

The Company amortizes goodwill on a straight-line basis over a period of ten years. The Company's policy is to test goodwill for impairment at the entity level whenever one or more events occur or circumstances indicate a potential impairment exists. Circumstances that could require an impairment assessment include, but are not limited to, (i) a significant adverse change in legal factors or business climate, (ii) the emergence of increased competition, (iii) an adverse action or assessment by a governmental agency or regulator, or (iv) overall financial performance such as negative or declining cash flows.

If that qualitative assessment indicates that it is more likely than not that goodwill is impaired, the entity must perform the quantitative test to compare the entity's fair value with its carrying amount, including goodwill. If the qualitative assessment indicates that it is not more likely than not that goodwill is not impaired, further testing is unnecessary. When evaluating whether goodwill is impaired under the quantitative approach, the Company compares the fair value of the entity to its carrying amount, including goodwill. The fair value of the entity is estimated using various valuation techniques, including the discounted value of estimated future cash flows (an income approach). Assumptions regarding future cash flows and growth rates are based on the annual operating budget and long-term plans for the entity and discount rate assumptions are based on an assessment of the risk inherent in the entity. If the carrying amount of the entity exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss represents the excess of the carrying amount of the entity over its fair value and cannot exceed the entity's carrying amount of goodwill.

As of December 31, 2025, 2024, and 2023, the Company has determined that no impairment existed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment is stated at cost and depreciated over its estimated useful life. The Company capitalizes purchases of property and equipment with a cost greater than $5,000 and estimated useful life of more than one year. Property and equipment is comprised of the following at December 31:

	2025	2024	2023
Furniture and fixtures	$ 8,224	$ 7,812	$ 7,812
Leasehold improvements	9,221	6,326	6,326
Equipment	15,835	0	0
	33,280	14,138	14,138
Accumulated depreciation	(15,094)	(10,324)	(7,497)
Property and equipment, net	$ 18,186	$ 3,814	$ 6,641

Depreciation expense was $4,770, $2,827, and $2,828 for the years ended December 31, 2025, 2024, and 2023.

Intangible Assets

The Company records identifiable intangible assets acquired at fair value relating to business combinations. The intangible assets relate to acquired franchise agreements, which are amortized over the respective remaining term of the franchise agreements in a manner consistent with the estimated cash flows to be generated, which range from approximately one to seven years.

Impairment of Long-Lived Assets

ASC 360, *Property, Plant, and Equipment,* requires that long-lived assets, such as property and equipment and intangibles subject to amortization, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As of December 31, 2025, 2024, and 2023, the Company has determined that no impairment existed on the assets capitalized in the accompanying balance sheets.

Revenue Recognition

The Company recognizes revenue under Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers Topic 606* (ASC 606). Under ASC 606, an entity must recognize revenue relating to contracts with customers that depicts the transfer of promised goods or services to customers in an amount reflecting the consideration to which the entity expects to be entitled in exchange for such goods or services.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

In order to meet this requirement, the entity must apply the following steps: (i) identify the contracts with the customers; (ii) identify performance obligations in the contracts; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations per the contracts; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

Revenues consist primarily of royalties, advertising fund contributions, franchise fees which are comprised of initial and renewal franchise fees, technology fees, upfront fees from development agreements, and grand opening fees. Royalties from franchise agreements are based on a percentage of net sales as reported by franchisees (5%) and are recognized in the period the related franchised sales occur.

Development fees and initial franchise fees, portions of which are collected in advance, are nonrefundable. The Company accounts for pre-opening services provided to a franchisee as a single performance obligation distinct from the franchise license.

Advertising contributions from franchise agreements are based on a percentage of net sales as reported by franchisees (2%). Advertising contributions are used primarily for national advertising on a brand-wide basis and, therefore, under ASC 606 are not considered distinct performance obligations for individual franchisees and are recognized to income in the period the related franchised sales occur.

Leases

The Company determines if a contract contains a lease at inception based on whether it conveys the right to control the use of an identified asset. All of the Company's leases are classified as operating leases. The Company records operating lease right-of-use assets and lease liabilities in the consolidated balance sheets. Lease expenses are recorded in the consolidated statements of operations and member's equity.

Operating lease right-of-use assets and lease liabilities are recognized based on the present value of future minimum lease payments over the lease term starting on the commencement date. The Company's elected policy is to utilize the risk-free discount rate (i.e., U.S. treasury yields) to calculate present value. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Lease terms may include an option to extend or terminate a lease if it is reasonably certain that the company will exercise such options. The Company does not separate lease components from non-lease components, and also has elected not to record a right-of-use asset or lease liability for leases which, at inception, have a term of twelve months or less. Variable lease payments are recognized in the period in which the obligation for those payments is incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

Advertising costs are expensed as incurred. Unspent funds received from franchisees relating to advertising fund obligations would be classified as restricted cash. As of December 31, 2025, 2024, and 2023, the Company spent more than the amounts contributed by franchisees, therefore, there is no related restricted cash balances. Franchisee-funded advertising expenses were approximately $497,000, $370,000, and $371,000, for the years ended December 31, 2025, 2024, and 2023.

Income Taxes

The Company has elected to be treated as a limited liability company for income tax purposes. Accordingly, taxable income and losses of the Company are reported on the income tax returns of the Company's member and no provision for income taxes has been recorded in the accompanying consolidated financial statements. The Company follows guidance of ASC-740, *Accounting for Uncertainty* in *Income Taxes* ("ASC740"). ASC 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the members rather than the Company. If incurred, interest and penalties associated with tax positions are recorded in the period assessed as operating expense. No interest or penalties have been assessed to date. Tax years that remain subject to examination include 2022 and forward for state and federal tax reporting purposes.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates and such differences could be material.

Concentration of Risk

Concentrations of financial instruments that potentially subject the Company to credit risk consist mainly of cash and cash equivalents. The Company's cash and cash equivalents were deposited primarily in one financial institution insured by the Federal Deposit Insurance Corporation ("FDIC"). At times the cash deposits may exceed FDIC insured limits. The Company has not experienced any losses related to these balances.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Company follows methods of fair value measurement described under ASC 820, *Fair Value Measurements,* which establishes a common definition of fair value to be applied with existing GAAP requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

Fair value is a market-based measure considered from the perspective of a market participant who holds the asset or owes the liability, rather than an entity-specific measure. Therefore, when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset based on market data obtained from sources independent of the Company. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 - Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;

Level 2 - Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3 - Level 3 inputs are unobservable, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

Because of inherent uncertainties in the valuation of assets or liabilities for which there are no observable inputs, those estimated fair values may differ significantly from the values that may have been used had a ready market existed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unit Based Compensation/Profit Interests

The Company accounts for unit-based compensation in accordance with ASC 718, *Compensation - Stock Compensation,* which requires unit-based awards to be accounted for using a fair value based method. See Note 4 regarding awards of units in RACC issued to key employees of the Company and effect on the consolidated financial statements.

Subsequent Events

The Company has evaluated subsequent events through March 13, 2026, which is the date the financial statements were available to be issued.

NOTE 2 - LIQUIDITY AND CAPITAL RESOURCES

The Company has had recurring losses and relies on contributions from RACC to fund operations. The Company continues to develop its brand name through marketing and advertising initiatives and pursue new franchise agreements to improve its cash flow and operations.

To the extent required, the Company can rely on RACC for continued liquidity and capital infusions to fund operations. The Company believes that it has sufficient cash and capital commitments to meet its funding requirements over the next year. However, there can be no assurance that the Company will be successful with its plan or that funding will be available to the Company, as needed.

NOTE 3 - INTANGIBLE ASSETS AND GOODWILL

Intangible assets and Goodwill of the Company include franchise agreements acquired in the acquisition of Bad Ass Coffee Company of Hawaii, Inc., which occurred in 2019.

As of December 31, 2025, 2024, and 2023, intangible assets are comprised of the following:

	2025	2024	2024
Intangible assets	$ 163,000	$ 163,000	$ 163,000
Accumulated amortization	(163,000)	(161,723)	(155,271)
Intangible assets, net	$ 0	$ 1,277	$ 7,729

Amortization expense of intangible assets was $1,277, $6,452, and $17,268 for the years ended December 31, 2025, 2024, and 2023.

NOTE 3 - INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

As of December 31, 2025, 2024, and 2023, goodwill is comprised of the following:

	2025	2024	2023
Goodwill	$ 120,998	$ 120,998	$ 120,998
Accumulated amortization	(78,649)	(66,549)	(54,449)
Goodwill, net	$ 42,349	$ 54,449	$ 66,549

Amortization expense related to goodwill was $12,100 for the years ended December 31, 2025, 2024, and 2023.

Future amortization of intangible asset and goodwill, assuming no future impairment charges, is as follows:

2026	$ 12,100
2027	12,100
2028	12,100
2029	6,049
Total	$ 42,349

NOTE 4 - MEMBER'S EQUITY

The Company was formed on June 14, 2019 in connection with the acquisition described in Note 3.

In accordance with the amended and restated limited liability company agreement of RACC, the board is authorized to issue 12,000 Incentive Units. Incentive units are non-voting and are intended to attract, retain, and motivate persons who make or are expected to make important contributions to the company and its affiliates. Incentive units are intended to constitute profits interests.

Incentive units are subject to a vesting schedule, based on continuous service, that is determined by the individual Incentive Units Interest Award Agreement.

NOTE 4 - MEMBER'S EQUITY (CONTINUED)

Incentive unit activity is as follows for the years ended December 31:

	2025	2024	2023
Units granted beginning of year	12,000	13,000	13,000
Units granted during the year	0	(1,000)	0
Units granted end of year	12,000	12,000	13,000
Units vested beginning of year	3,455	11,375	8,458
Units vested during the year	375	909	2,917
Units repurchased during the year	0	(8,829)	0
Units vested end of year	3,830	3,455	11,375
Units forfeited during the year	0	375	0
Unvested units end of year	0	375	1,625
Units authorized but not issued	8,170	8,170	0

Incentive units may have a fixed number of units vest as of the grant date with the remaining units set to vest monthly on a pro-rata basis, generally ranging from 36-48 months.

The fair value of the incentive units is estimated on the grant date using the Black-Scholes pricing model to treat equity securities as call options on the enterprise value of RACC. RACC determined that the grant date fair value of the incentive units was de minimis. Therefore, no allocation of compensation expense has been recorded in the consolidated financial statements for the years ended December 31, 2025, 2024, and 2023 and future expense is immaterial.

NOTE 5 - RELATED PARTY TRANSACTIONS

In connection with the acquisition during 2019, the Company assumed certain liabilities payable to an entity controlled by the Company's chief executive officer. At the time these liabilities were incurred by the seller, the Company's Chief Executive Officer was a consultant to the seller, and not an employee. At December 31, 2025, 2024, and 2023, the amount payable to the entity controlled by the chief executive office was approximately $69,000 and is included in due to related parties, long term. Company intends to pay this balance once cash flow permits.

NOTE 5 - RELATED PARTY TRANSACTIONS (CONTINUED)

RACC is the employer of record for employees that provide service to the Company and allocations of compensation expense and benefits are made between RAE and RAC based on the roles and responsibilities of each employee and estimated services rendered. For the years ended December 31, 2025, 2024, and 2023, approximately $1,716,000, $1,452,000 and $1,228,000 was allocated to the Company for employee compensation and lease expenses.

The portion of compensation associated with advertising that benefits all franchisees is included in RACC contribution to ad fund in the accompanying statements of operations.

For the years ended December 31, 2025, 2024 and 2023, the Company incurred consulting fees payable to a board member and recorded expense of approximately $2,000, $24,000, and $24,000.

RAE uses certain trademarks owned by the Company to generate revenues from the sales of goods to franchisees. As of January 1, 2023, the Company and RAE executed a royalty agreement requiring RAE to pay 5% of all licensed products to authorized distribution points. For the years ended December 31, 2025, 2024 and 2023, the Company recognized royalty revenue under this agreement of $0, $56,466 and $241,619.

NOTE 6 - LEASES

RACC is party to a facility lease agreement entered into in October 2025 which requires monthly base rent ranging from approximately $18,000 to $19,500 through September 2028. The Company's proportionate share of the lease payments and common area maintenance is based on the estimated square footage used and is accounted for as a single lease component.

As of December 31, 2025, 2024, and 2023, the ROU assets were summarized as follows:

	2025	2024	2023
Right-of-use assets	$ 83,507	$ 143,227	$ 143,227
Accumulated amortization	(6,863)	(116,484)	(83,818)
Right-of-use assets, net	$ 76,644	$ 26,743	$ 59,409

NOTE 6 - LEASES (CONTINUED)

The Company is required to make future minimum lease payments for the years ended December 31, as follows:

2026	$ 30,612
2027	31,837
2028	24,587
Less: portion representing interest	(4,310)
Present value of right-of-use operating lease liabilities	$ 82,726

The weighted-average remaining lease term and discount rate was 2.75 years and 3.56% as of December 31, 2025.

Lease expense is comprised of the following for the years ended December 31:

	2025	2024	2023
Lease component expense	$ 34,662	$ 34,800	$ 32,394
Variable and short-term lease expense	3,634	893	2,415
Total lease expense	$ 38,296	$ 35,693	$ 34,809

NOTE 7 - OTHER INCOME

During 2023, a franchise location in Lahaina, Maui was damaged by the widespread wildfire. The Company received insurance proceeds totaling $100,000 which is included other income for the year ended December 31, 2023.

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EXHIBIT I

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

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NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement (the "**Agreement**") is made and entered into effective the _____ day of _____, 20__ by and between ROYAL ALOHA FRANCHISE COMPANY, LLC, a Colorado limited liability company ("**Company**"), located at 7347 South Revere Parkway, Building A, Suite A, Centennial, CO 80112 and _____ ("**Associate**"), who resides at _____.

RECITALS

A. The Company has developed methods for establishing and operating franchises for the operation of coffee shops that specialize in Hawaiian coffee beverages and feature a nostalgic Hawaiian decor ("**BAD ASS COFFEE OF HAWAII Shops**" or "**Shops**") which use the service mark "BAD ASS COFFEE OF HAWAII" and related service marks, trade names and trademarks ("**Marks**").

B. The Company has developed methods for establishing, operating and promoting Shops pursuant to the Company's distinctive business format, plans, methods, data, processes, marketing systems, manuals, recipes, coffee blends, coffee roasting methods, merchandise, formulas, techniques, designs, layouts, operating procedures, trademarks, proprietary marks and information and know-how of the Company ("**Confidential Information**") and such Confidential Information as may be further developed from time to time by the Company;

C. The Company and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of services and products available, which goodwill and reputation have been and will continue to be of major benefit to the Company;

D. Associate is or will become involved with the Company in the capacity of an officer, partner, director, agent, Principal Manager, District Manager, employee, principal, beneficial owner or as an immediate family member of one of the foregoing persons, all of whom are associated with a BAD ASS COFFEE OF HAWAII Shop (the "**Franchised Business**") pursuant to the terms of a Franchise Agreement between the Company and the party identified as the "Franchisee" at the end of this Agreement, and in such capacity, Associate will become privileged as to certain Confidential Information; and

E. Associate and the Company have reached an understanding with regard to nondisclosure by Associate of Confidential Information and with respect to noncompetition by Associate with the Company. Terms not otherwise defined in this Agreement shall have the meanings as defined in the Franchise Agreement between the Company and the "Franchisee" identified below.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Company, intending legally to be bound, agree as follows:

1. <u>Confidential Information</u>. Associate and the Company acknowledge that the distinctive business format, plans, methods, data, processes, marketing systems, manuals, recipes, coffee blends, coffee roasting methods, merchandise, formulas, techniques, designs, layouts, operating procedures, trademarks, proprietary marks and information and know-how of the Company which are developed and utilized in connection with the operation of the Shop are the Company's Confidential Information. Such Confidential Information is unique, exclusive property and a trade secret of the Company and has valuable good will associated with it. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information would be wrongful and would cause irreparable injury and harm to the Company. Associate further acknowledges that the Company has expended a great amount of effort and money in obtaining and developing the Confidential Information, that the Company has taken numerous precautions to guard the

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secrecy of the Confidential Information and that it would be very costly for competitors to acquire or duplicate the Confidential Information.

2. Operations Manuals as Trade Secrets. It is understood that Confidential Information, constituting "trade secrets" as used in this Agreement, is deemed to include, without limitation, customer lists, written information, vendor lists, recipes, coffee blends, coffee roasting methods, and product formulas and any and all information contained in the Company's Operations Manual, which may be provided as one or more separate manuals, or written instructional guides, as the same are changed or supplemented from time to time, and any information of whatever nature which gives the Company and its affiliates an opportunity to obtain an advantage over its competitors who do not have access to, know or use such lists, recipes, blends, methods, written materials, formulas or information.

3. Nondisclosure of Confidential Information. Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Company or the Franchisee, any of the Confidential Information of the Company or its affiliates.

4. Noncompetition Covenant. Associate hereby covenants and agrees that, during the term of the Franchise Agreement governing the establishment and operation of the Franchised Business, except while associated with or operating the Franchised Business in a manner authorized by the Company, neither Associate nor any member of Associate's immediate family, shall:

a. have any direct or indirect controlling interest as a disclosed or beneficial owner in a Competitive Business;

b. perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business; or

c. divert or attempt to divert any business related to, or any client or account of the Franchised Business, the Company's business or any other franchisee's business, by direct inducement or otherwise, to any Competitive Business by any direct inducement or otherwise.

The term "**Competitive Business**" as used in this Agreement shall mean any business operating, or granting franchises or licenses to others to operate, either (i) a retail coffee shop business deriving more than 5% of its net sales from the sale of coffee-based beverages; or (ii) a wholesale business deriving more than 5% of its net sales from the sale of roasted coffee beans. Notwithstanding the foregoing, Associate shall not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 5% or less of that class of securities issued and outstanding.

5. Post-Termination Covenant Not to Compete. Associate covenants and agrees that, for a period of two years after the effective date of termination, transfer or expiration of the Franchise Agreement for the Franchised Business, or for a period of two years after termination or cessation of Associate's relationship with the Franchised Business, whichever is later, neither Associate, nor any member of Associate's immediate family, shall have any direct or indirect interest as a disclosed or a beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent or in any other capacity in any Competitive Business located or operating within a 25 mile radius of the location of the Franchised Business, within 25 miles of any other franchised Shop or within 25 miles of any Company or affiliate-owned Shop. The restrictions of this paragraph shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter

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market that represent 5% or less of the number of shares of that class of securities issued and outstanding. Associate and its officers, directors, shareholders, and/or partners expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of this covenant will not deprive them of their personal goodwill or ability to earn a living.

6. **Injunction**. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Company shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Company may be entitled. Associate agrees that the Company may obtain such injunctive relief, without posting a bond or bonds totaling more than $500, but upon due notice, and Associate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate.

7. **Effect of Waiver**. The waiver by Associate or the Company of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

8. **Binding Effect**. This Agreement shall be binding upon and inure to the benefit of Associate and the Company and their respective heirs, executors, representatives, successors and assigns.

9. **Entire Agreement**. This instrument contains the entire agreement of Associate and the Company relating to the matters set forth herein. It may not be changed orally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

10. **Governing Law**. This instrument shall be governed by and construed under the laws of the state of Colorado.

11. **Jurisdiction and Venue**. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of Colorado, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts of Colorado in Denver, Colorado. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of Colorado in Denver, Colorado. Notwithstanding the foregoing, in the event that the laws of the state where the Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

12. **Severability**. If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement which shall otherwise remain in full force and effect.

13. **Attorneys' Fees**. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

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IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

COMPANY:

ROYAL ALOHA FRANCHISE COMPANY, LLC

By:_____
Title:_____

ASSOCIATE:

_____
Print Name:_____

NAME OF FRANCHISEE

_____

ASSOCIATE'S CAPACITY WITH FRANCHISED BUSINESS

_____
_____

LOCATION OF FRANCHISED BUSINESS

_____

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2026 FDD - Exhibits

EXHIBIT J

STATE ADDENDA AND RIDERS TO DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, DEVELOPMENT AGREEMENT AND OTHER EXHIBITS

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2026 FDD - Exhibits

ADDENDUM TO THE
ROYAL ALOHA FRANCHISE COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF CALIFORNIA

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

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.

OUR WEBSITE (www.badasscoffee.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

1. The following paragraph is added to the end of Item 3:

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

2. The following paragraph is added to Item 5:

   The Department has determined that either the franchisor has not demonstrated it is adequately capitalized or that the franchisor must rely on franchise fees to fund operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a Development Agreement, the payment of the development and initial fees attributable to a specific unit is deferred until that unit is open.

3. The following sentence is added to Item 6:

   The highest interest rate in California is 10%.

4. The following paragraphs are added to the end of Item 17:

   The California Business and Professions Code Section 20000 through 20043 provides you certain rights including: (i) limitations on our ability to terminate a franchise except for good cause, (ii) restrictions on our ability to deny renewal of a franchise, (iii) circumstances under which we may be required to purchase certain inventory of a franchisee when a franchise is terminated or not renewed in violation of the statute, and (iv) provisions relating to arbitration. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

   Before the franchisor can ask you to materially modify your existing franchise agreement, Section 31125 of the California Corporations Code requires the franchisor to file a material

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modification application with the Department that includes a disclosure document showing the existing terms and the proposed new terms of your franchise agreement. Once the application is registered, the franchisor must provide you with that disclosure document with an explanation that the changes are voluntary.

The Franchise Agreement requires application of the laws of Colorado. This provision may not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. §101 et seq.)

The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.

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 §§31000-31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000-20043).

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable: (a) representations made by the franchisor or its personnel or agents or a prospective franchisee; (b) reliance by a franchisee on any representations made by the franchisor or its personnel or agents; (c) reliance by a franchisee on the franchise disclosure documents including any exhibit thereto; or (d) violations of any provision of this division.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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CALIFORNIA RIDER TO THE
ROYAL ALOHA FRANCHISE COMPANY, LLC
FRANCHISE AGREEMENT
BETWEEN
ROYAL ALOHA FRANCHISE COMPANY, LLC
AND _____

This California Rider to the Franchise Agreement by and between Royal Aloha Franchise Company, LLC and Franchisee is dated _____, 20__.

1. The following paragraph is added to Section 4.1:

   The Department has determined that either the franchisor has not demonstrated it is adequately capitalized or that the franchisor must rely on franchise fees to fund operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a Development Agreement, the payment of the development and initial fees attributable to a specific unit is deferred until that unit is open.

2. The following language is hereby deleted from Section 5.1:

   The Franchisee acknowledges and agrees that the Franchisor's approval of a site and any information provided by the Franchisor regarding the site does not constitute a representation or warranty of any kind, express or implied, as to the suitability of the site for a BAD ASS COFFEE OF HAWAII Shop.

3. The following language is hereby deleted from Section 23.2:

   "The Franchisor does not authorize representation of any nature other than those expressed in this Agreement or in any related agreement."

4. Sections 23.7 and 23.20 are hereby deleted in their entirety.

5. In addition to the information required by Item 17, all offering circulars shall contain the following paragraph: California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

6. 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.).

7. 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.

8. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

9. The franchise agreement requires application of the laws of (indicate jurisdiction). This provision may not be enforceable under California law.

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10. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

[signature page follows]

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IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this California Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

ROYAL ALOHA FRANCHISE COMPANY, LLC	_____ FRANCHISEE (Print Name)
By:_____	By:_____
Print Name:_____	Print Name:_____
Title:_____	Title:_____

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CALIFORNIA RIDER TO THE
ROYAL ALOHA FRANCHISE COMPANY, LLC
DEVELOPMENT AGREEMENT
BETWEEN
ROYAL ALOHA FRANCHISE COMPANY, LLC
AND _____

This California Rider to the Development Agreement by and between Royal Aloha Franchise Company, LLC and Developer is dated _____, 20__.

1. The following paragraph is added to Section 4.1:

   The Commissioner of Financial Protection and Innovation of the State of California has determined that, based on the Franchisor's financial condition, the Franchisor may not be able to fulfill its obligations to franchisees in the establishment of their Franchises. The Franchisor has elected to assure financial capability by deferring the payment of all initial development fees and franchise fees owed until the Franchisor has completed its initial obligations under the first Franchise Agreement and the Franchisee's first BAD ASS COFFEE OF HAWAII Franchise is open.

2. The following language is hereby removed from Section 5.3:

   The Developer acknowledges and agrees that the Franchisor's approval of a site and any information provided by the Franchisor regarding the site does not constitute a warranty of any kind, express or implied, as to the sustainability of the site for a BAD ASS COFFEE OF HAWAII Shop.

3. The Development Agreement contains provisions requiring you to acknowledge certain statements which are prohibited by California Corporations Code Section 31512, including acknowledgements that: you have read or understand the franchise disclosure document or any exhibit; you understand the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on you; and you have had the opportunity to consult with professional advisors. These specific provisions within Section 13.7 and 13.19 of the Development Agreement are omitted as prohibited statements under California law.

4. Sections 13.7 and 13.19 are hereby deleted in their entirety.

5. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

[signature page follows]

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IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this California Rider concurrently with the execution of the Development Agreement on the day and year first above written.

ROYAL ALOHA FRANCHISE COMPANY, LLC	_____ DEVELOPER (Print Name)
By:_____	By:_____
Print Name:_____	Print Name:_____
Title:_____	Title:_____

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ADDENDUM TO THE
ROYAL ALOHA FRANCHISE COMPANY, LLC
DISCLOSURE DOCUMENT
FOR THE STATE OF HAWAII

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

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

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

The Franchisor's registered agent in the state authorized to receive service of process is:

Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

1. The following paragraph is added to Item 5:

   The Commissioner of Securities of the State of Hawaii has determined that, based on our financial condition, we may not be able to fulfill our obligations to franchisees in the establishment of their Franchised Businesses. We have elected to assure financial capability by deferring the payment of all initial franchise fees owed to us until we have completed our initial obligations under the Franchise Agreement and the Franchised Business is open.

2. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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HAWAII RIDER TO THE
ROYAL ALOHA FRANCHISE COMPANY, LLC
FRANCHISE AGREEMENT
BETWEEN
ROYAL ALOHA FRANCHISE COMPANY, LLC
AND _____

This Hawaii Rider to the Franchise Agreement by and between Royal Aloha Franchise Company, LLC and Franchisee is dated _____, 20__.

1. The following paragraph is added to Section 4.1:

   The Commissioner of Securities of the State of Hawaii has determined that, based on the Franchisor's financial condition, the Franchisor may not be able to fulfill its obligations to franchisees in the establishment of their Franchises. The Franchisor has elected to assure financial capability by deferring the payment of all initial franchise fees owed until the Franchisor has completed its initial obligations under the Franchise Agreement and the Franchisee's BAD ASS COFFEE OF HAWAII Franchise is open.

2. The Franchise Agreement contains provisions requiring you to acknowledge certain statements which are prohibited by Hawaii law, including acknowledgements that: you have read or understand the franchise disclosure document or any exhibit; you understand the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on you; and you have had the opportunity to consult with professional advisors. These specific provisions within Section 23.7 and 23.20 of the Franchise Agreement are omitted as prohibited statements under Hawaii law.

3. The Franchise Agreement contains provisions that reiterate or duplicate representations or statements already made in the disclosure document and provisions that may have the effect of shifting the franchisor's disclosure obligations under federal or state law to you. These specific provisions within Section 27.6 and 27.9 of the Franchise Agreement are omitted as prohibited by Hawaii law.

4. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

[signature page follows]

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IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Hawaii Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

ROYAL ALOHA FRANCHISE COMPANY, LLC	_____ FRANCHISEE (Print Name)
By:_____ Print Name:_____ Title:_____	By:_____ Print Name:_____ Title:_____

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ADDENDUM TO THE
ROYAL ALOHA FRANCHISE COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Item 5 is hereby amended to add the following:

Payment of initial franchise fees will be deferred until the franchisor has met all of its initial obligations to franchisee and franchisee has commenced doing business. This financial assurance requirement was imposed by the Illinois Attorney General's Office due to the franchisor's financial status.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Illinois Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

ROYAL ALOHA FRANCHISE COMPANY, LLC	_____ **FRANCHISEE** (Print Name)
By:_____ Title:_____	By:_____ Title:_____

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RIDER TO THE
ROYAL ALOHA FRANCHISE COMPANY, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS

This Rider to the Franchise Agreement by and between Royal Aloha Franchise Company, LLC and Franchisee is dated _____, 20___.

1. Section 23.4 is deleted in its entirety and the following is substituted in its place:

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, all matters regarding this Agreement shall be governed by Illinois law.

2. The second sentence of Section 23.2 is deleted.

3. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

4. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a Franchise Agreement that designates jurisdiction and venue outside of the State of Illinois is void. However, arbitration may take place outside of Illinois.

5. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

6. Payment of Initial and Development Fees will be deferred until the Franchisor has met its initial obligations to Franchisee, and Franchisee has commenced business operations. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

Franchisees' rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Illinois Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

ROYAL ALOHA FRANCHISE COMPANY, LLC

By:_____
Title:_____

_____
FRANCHISEE (Print Name)

By:_____
Title:_____

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RIDER TO THE
ROYAL ALOHA FRANCHISE COMPANY, LLC
DEVELOPMENT AGREEMENT
FOR THE STATE OF ILLINOIS

This Rider to the Development Agreement by and between Royal Aloha Franchise Company, LLC and Developer is dated _____, 20___.

1. The second sentence of Section 13.2 is deleted.

2. Section 13.4 is deleted in its entirety and the following is substituted in its place:

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, all matters regarding this Agreement shall be governed by Illinois law.

3. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

4. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a Franchise Agreement that designates jurisdiction and venue outside of the State of Illinois is void. However, arbitration may take place outside of Illinois.

5. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

6. Payment of Initial and Development Fees will be deferred until the Franchisor has met its initial obligations to Franchisee, and Franchisee has commenced business operations. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

Franchisees' rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Illinois Rider concurrently with the execution of the Development Agreement on the day and year first above written.

ROYAL ALOHA FRANCHISE COMPANY, LLC

By:_____
Title:_____

_____
DEVELOPER (Print Name)

By:_____
Title:_____

(MD 4/1/22)

ADDENDUM TO THE
ROYAL ALOHA FRANCHISE COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF INDIANA

Item 13 of the FDD is amended to add the following:

> Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 17 of the FDD is amended to add the following:

> Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.
>
> Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The "Summary" column in Item 17.r. of the FDD is deleted and the following is inserted in its place:

> No competing business for two years within the Territory.

The "Summary" column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

> Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The "Summary" column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

> Litigation regarding Franchise Agreement in Indiana; other litigation in the Franchisor's Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The "Summary" column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

> Indiana law applies to disputes covered by Indiana franchise laws; otherwise Franchisor's Choice of Law State law applies.

The Franchise Agreement contains provisions requiring you to acknowledge certain statements which are prohibited by Indiana law, including acknowledgements that: you have read or understand the franchise disclosure document or any exhibit; you understand the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit

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are binding; the success of the franchise is dependent solely or primarily on you; and you have had the opportunity to consult with professional advisors. These specific provisions within Section 23.7 and 23.20 of the Franchise Agreement are omitted as prohibited statements under Indiana law.

The Franchise Agreement contains provisions that reiterate or duplicate representations or statements already made in the disclosure document and provisions that may have the effect of shifting the franchisor's disclosure obligations under federal or state law to you. These specific provisions within Section 27.6 and 27.9 of the Franchise Agreement are omitted as prohibited by Indiana law.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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RIDER TO THE
ROYAL ALOHA FRANCHISE COMPANY, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF INDIANA

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the FDD OR the Franchise Agreement, if such provisions are in conflict with Indiana law.

2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.

3. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).

4. The Development Agreement contains provisions requiring you to acknowledge certain statements which are prohibited by Indiana law, including acknowledgements that: you have read or understand the franchise disclosure document or any exhibit; you understand the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on you; and you have had the opportunity to consult with professional advisors. These specific provisions within Section 13.7 and 13.19 of the Development Agreement are omitted as prohibited statements under Indiana law.

5. The Development Agreement contains provisions that reiterate or duplicate representations or statements already made in the disclosure document and provisions that may have the effect of shifting the franchisor's disclosure obligations under federal or state law to you. These specific provisions within Section 13.7 and 13.9 of the Multi-Unit Agreement are omitted as prohibited by Indiana law.

6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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ADDENDUM TO THE
ROYAL ALOHA FRANCHISE COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND

1. The following statement is added to Item 5:

Based upon the Franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

2. The following provisions supersede anything to the contrary included in Item 17 and apply to all Franchises offered and sold to residents of the State of Maryland or to be operated in the State of Maryland:

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. §§ 101 et seq.).

Pursuant to Maryland law, the general release required as a condition of renewal and/or assignment/transfer shall not apply to any claims that may arise under the Maryland Franchise Registration and Disclosure Law.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

3. Section 23.7 of the Franchise Agreement is hereby deleted in its entirety.

4. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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RIDER TO THE
ROYAL ALOHA FRANCHISE COMPANY, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND

This Rider to the Franchise Agreement by and between Royal Aloha Franchise Company, LLC and Franchisee is dated _____, 20____.

1. The following statement is added to the end of Section 4.1. **Initial Franchise Fee**:

Based upon the Franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

2. The following statement is added at the end of Sections 17.2 **Pre-Conditions to Franchisee's Transfer** and 18.3.d. **Rights Upon Expiration**:

Provided, however, that the provision requiring the execution of a general release will not apply to any claims that may arise under the Maryland Franchise Registration and Disclosure Law.

3. The following statement is added to the end of Sections 23.1. **Modification** and 23.20 **Acknowledgement**:

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

4. The following statement is added at the end of Section 23.4. **Governing Law/Consent to Venue and Jurisdiction:**

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

5. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

6. Section 23.20, Acknowledgement is hereby deleted in its entirety from the franchise agreement.

7. Section 23.7. Review of Agreement is hereby deleted in its entirety from the franchise agreement.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

ROYAL ALOHA FRANCHISE COMPANY, LLC	_____ **FRANCHISEE** (Print Name)
By:_____ Title:_____	By:_____ Title:_____

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RIDER TO THE
ROYAL ALOHA FRANCHISE COMPANY, LLC
DEVELOPMENT AGREEMENT
FOR THE STATE OF MARYLAND

This Rider to the Development Agreement by and between Royal Aloha Franchise Company, LLC and Developer is dated _____, 20___.

1. The following statement is added at the end of Section 4.1 **Fees**:

Based upon the Franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the Franchisor completes its pre-opening obligations under the first Franchise Agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

2. The following statement is added at the end of Section 8.1.f. **Transfer by Developer**:

Provided, however, that the provision requiring the execution of a general release will not apply to any claims that may arise under the Maryland Franchise Registration and Disclosure Law.

2. The following statement is added to the end of Section 13.1. **Modification**:

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

3. The following statement is added at the end of Section 13.4. **Governing Law/Consent to Venue and Jurisdiction:**

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

4. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

5. Section 13.19, **Acknowledgement** is hereby deleted in its entirety from the development agreement.

6 Section 13.7. Review of Agreement is hereby deleted in its entirety from the development agreement.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland Rider concurrently with the execution of the Development Agreement on the day and year first above written.

ROYAL ALOHA FRANCHISE COMPANY, LLC

By:_____
Title:_____

_____
DEVELOPER (Print Name)

By:_____
Title:_____

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ADDENDUM TO THE
ROYAL ALOHA FRANCHISE COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA

With respect to franchises governed by Minnesota law, the franchisor will comply with the Minnesota Statutes, Section 80C.14, Subds. 3, 4, and 5, which require (except in certain specified cases) that a franchisee be given 90 days' notice of termination (with 60 days to sure) and 180 days' notice for non-renewal of the franchise agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment not. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

The franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

Minnesota Rule 2860.4400D prohibits a franchisor from requiring franchisee to assent to a general release.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rule 2860.4400J. A court will determine if a bond is required.

Any limitations of claims must comply with Minnesota Statute, Section 80C.17, Subd. 5.

Item 5 of the Franchise Disclosure Document is amended to add the following:

"Per a requirement of the Minnesota Department of Commerce, the initial franchise fee paid by a franchisee who is a resident of Minnesota will be held in an escrow account established by the franchisor until the franchisor's obligations to assist the franchisee to establish and open his or her business are fulfilled."

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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ADDENDUM TO THE
ROYAL ALOHA FRANCHISE COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NORTH DAKOTA

1. Item 5 of the Franchise Disclosure Document is amended to add the following:

"Per a requirement of the North Dakota Securities Department, the initial franchise fee paid by a franchisee who is a resident of North Dakota will be held in an escrow account established by the franchisor until the franchisor's obligations to assist the franchisee to establish and open his or her business are fulfilled."

2. Item 17(c) of the Franchise Disclosure Document entitled "Requirements for Franchisee to Renew or Extend" is amended by the addition of the following language to the original language that appears therein:

> "The Commissioner has determined that franchise agreements which require the franchisee to sign a general release upon renewal of the franchise agreement is unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law."

3. Item 17(r) of the Franchise Disclosure Document entitled "Non-Competition Covenants After the Franchise is Terminated or Expires" is amended by the addition of the following language to the original language that appears therein:

> "Covenants not to compete upon termination or expiration of a franchise agreement are generally considered unenforceable in the State of North Dakota."

4. Item 17(v) of the Franchise Disclosure Document entitled "Choice of Forum" is amended by the addition of the following:

> "Section 51-19-09 of the North Dakota Franchise Investment provides that a provision in a franchise agreement that requires jurisdiction or venue in a forum outside of North Dakota is unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law."

5. Item 17(w) of the Disclosure Document entitled "Choice of Law" is amended to read as follows: "North Dakota law applies".

6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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RIDER TO THE
ROYAL ALOHA FRANCHISE COMPANY, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF NORTH DAKOTA

This Rider to the Franchise Agreement by and between Royal Aloha Franchise Company, LLC and Franchisee is dated _____, 20___.

1. Section 4.1 **Initial Franchise Fee** is amended to add the following:

Per a requirement of the North Dakota Securities Department, the initial franchise fee paid by a franchisee who is a resident of North Dakota will be held in an escrow account established by the franchisor until the franchisor's obligations to assist the franchisee to establish and open his or her business are fulfilled.

2. The following statement is added to the end of Section 18.3. **Rights Upon Expiration**:

The Commissioner has determined that franchise agreements which require the franchisee to sign a general release upon renewal of the franchise agreement is unfair, unjust, and inequitable with the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

3. The following statement is added to the end of Section 21. **Restrictive Covenants**:

Covenants not to compete upon termination or expiration of a franchise agreement are generally considered unenforceable in the State of North Dakota.

4. The following statements are added to the end of Section 23.4. **Governing Law/Consent to Venue and Jurisdiction**:

Section 51-19-09 of the North Dakota Franchise Investment Law provides that any provision in a franchise agreement requires that jurisdiction or venue in a forum outside of North Dakota is unfair, unjust, and inequitable with the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

Any provision that provides that the parties waive their right to a jury trial may not be enforceable under North Dakota law.

5. Section 23.4. **Governing Law/Consent to Venue and Jurisdiction** is amended by substituting the State of North Dakota for the State of Colorado as the governing law.

6. The Franchise Agreement contains provisions requiring you to acknowledge certain statements which are prohibited by North Dakota law, including acknowledgements that: you have read or understand the franchise disclosure document or any exhibit; you understand the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on you; and you have had the opportunity to consult with professional advisors. These specific provisions within Section 23.7 and 23.20 of the Franchise Agreement are omitted as prohibited statements under North Dakota law.

7. The Franchise Agreement contains provisions that reiterate or duplicate representations or statements already made in the disclosure document and provisions that may have the effect of shifting the franchisor's disclosure obligations under federal or state law to you. These specific provisions within Section 27.6 and 27.9 of the Franchise Agreement are omitted as prohibited by North Dakota law.

8. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the

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franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this North Dakota Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

ROYAL ALOHA FRANCHISE COMPANY, LLC

By:_____
Title: _____

_____
FRANCHISEE(Print Name)

By:_____
Title:_____

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RIDER TO THE
ROYAL ALOHA FRANCHISE COMPANY, LLC
DEVELOPMENT AGREEMENT
FOR THE STATE OF NORTH DAKOTA

This Rider to the Development Agreement by and between Royal Aloha Franchise Company, LLC and Developer is dated_____, 20___.

1. The following statement is added at the end of Section 11. **Restrictive Covenants**:

Covenants not to compete upon termination or expiration of a franchise agreement are generally considered unenforceable in the State of North Dakota.

2. The following statements are added at the end of Section 13.4. **Governing Law/Consent to Venue and Jurisdiction**:

Section 51-19-09 of the North Dakota Franchise Investment Law provides that any provision in a franchise agreement requires that jurisdiction or venue in a forum outside of North Dakota is unfair, unjust, and inequitable with the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

Any provision that provides that the parties waive their right to a jury trial may not be enforceable under North Dakota law.

3. Section 13.4. **Governing Law/Consent to Venue and Jurisdiction** is amended by substituting the State of North Dakota for the State of Colorado as the governing law.

4. The Development Agreement contains provisions requiring you to acknowledge certain statements which are prohibited by North Dakota law, including acknowledgements that: you have read or understand the franchise disclosure document or any exhibit; you understand the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on you; and you have had the opportunity to consult with professional advisors. These specific provisions within Section 13.7 and 13.19 of the Development Agreement are omitted as prohibited statements under North Dakota law.

The Development Agreement contains provisions that reiterate or duplicate representations or statements already made in the disclosure document and provisions that may have the effect of shifting the franchisor's disclosure obligations under federal or state law to you. These specific provisions within Section 13.7 and 13.9 of the Multi-Unit Agreement are omitted as prohibited by North Dakota law.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

[signature page follows]

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IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this North Dakota Rider concurrently with the execution of the Development Agreement on the day and year first above written.

ROYAL ALOHA FRANCHISE COMPANY, LLC

By:_____
Title: _____

_____
DEVELOPER(Print Name)

By:_____
Title:_____

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ADDENDUM TO THE
ROYAL ALOHA FRANCHISE COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF VIRGINIA

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

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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EXHIBIT K

GENERAL RELEASE

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EXHIBIT K
(TO DISCLOSURE DOCUMENT)

GENERAL RELEASE

THIS GENERAL RELEASE ("**Release**") is made effective as of the ____ day of _____, 20_____ by _____ ("**Franchisee**") in favor of Royal Aloha Franchise Company, LLC, a Colorado limited liability company ("**Franchisor**") (collectively referred to as "**Parties**").

A. The Parties have entered into that certain Franchise Agreement dated _____ ("**Franchise Agreement**") which governs the development and operation of a BAD ASS COFFEE OF HAWAII Shop ("**BAD ASS COFFEE OF HAWAII Shop**" or "**Shop**") (to the extent not otherwise defined herein, all initial-capitalized references shall have the same meaning as set forth in the Franchise Agreement);

B. The Franchisee desires to transfer the Franchise Agreement, the ownership of the Franchisee, or the BAD ASS COFFEE OF HAWAII Shops or some or all of the assets of the Shop;

OR

C. The Franchisee desires to enter into a successor to the Franchise Agreement;

D. The Franchisor desires to consent to the Franchisee's request subject to the Franchisee's compliance with the terms and conditions set forth in the Franchise Agreement including, without limitation, the execution and delivery by the Franchisee to the Franchisor of this Release.

NOW, THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties hereby agree as follows:

1. **Release**. The Franchisee, for itself and its affiliates, and their respective current and former successors, assigns, officers, shareholders, directors, members, managers, agents, heirs and personal representatives ("**Franchisee Affiliates**"), hereby fully and forever unconditionally releases and discharges the Franchisor and its affiliates, and their respective successors, assigns, agents, representatives, employees, officers, shareholders, directors, members, managers and insurers (collectively referred to as "**Franchisor Affiliates**") from any and all claims, demands, obligations, actions, liabilities and damages of every kind and nature whatsoever ("**Released Claims**"), in law or in equity, whether known or unknown, which the Franchisee or the Franchisee Affiliates may now have against the Franchisor or Franchisor Affiliates or which may hereafter be discovered. Without limiting the foregoing, Released Claims includes, but is not limited to, all claims, demands, obligations, actions, liabilities and damages, known or unknown, in any way arising from or relating to: (i) any relationship or transaction with the Franchisor or Franchisor Affiliates, (ii) the Franchise Agreement or any related agreements, and (iii) the franchise relationship, from the beginning of time until the date of this Release.

[APPLIES ONLY IN CALIFORNIA] 1.(a) Release of Unknown Claims and Waiver of California Law. The Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that the laws of California may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of the Release, such as Section 1542 of the Civil Code of the State of California, which provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release which, if known by him, must have materially affected the settlement with the debtor."

The Franchisee and the Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under Section 1542 of the Civil Code of the State of California, and under any similar provisions of any other law (as may be applicable to this Release), to the fullest extent that the Franchisee and the Franchisee Affiliates may lawfully waive such right or benefit pertaining to the subject matter of this Release. In connection with such waiver and relinquishment, with respect to the Released Claims, the Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that they now know or believe to be true with respect to the subject matter of this Release, but that it is the Franchisee's and the Franchisee Affiliates' intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the Release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. The Franchisee and the Franchisee Affiliates agree to defend, indemnify and hold harmless the Franchisor and the Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by the Franchisee and the Franchisee Affiliates (or any person or entity by, through, or on their behalf) of any Released Claims, positions, defenses, or arguments contrary to this Section 1(a) of this Release.

[APPLIES ONLY IN SOUTH DAKOTA] 1.(b) Release of Unknown Claims and Waiver of South Dakota Law. The Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that the laws of South Dakota may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of this Release, such as South Dakota Codified Laws § 20-7-11, which provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

The Franchisee and the Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under § 20-7-11 of the South Dakota Codified Laws, and under any similar provisions of any other law (as may be applicable to this Agreement), to the fullest extent that they may lawfully waive such right or benefit pertaining to the subject matter of this Release. In connection with such waiver and relinquishment, with respect to the Released Claims, the Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that the Franchisee and the Franchisee Affiliates now know or believe to be true with respect to the subject matter of this Release, but that it is their intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the Release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. The Franchisee and the Franchisee Affiliates agree to defend, indemnify and hold harmless the Franchisor and the Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by the Franchisee and the Franchisee Affiliates (or any person or entity by, through, or on behalf of Releasor) of any Released Claims, positions, defenses, or arguments contrary to this Section 1.(b) of this Release.

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2. **General**. This Release shall be construed and enforced in accordance with, and governed by, the laws of the State of Colorado. This Release embodies the entire agreement and understanding between the Parties and supersedes all prior agreements and understandings relating to the subject matter hereof, and this Release may not be modified or amended or any term hereof waived or discharged except in writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced. Nothing in this Release is intended to disclaim any representations made by the Franchisor in the most recent franchise disclosure document provided by the Franchisor or its representatives to the Franchisee in connection with any successor to the Franchise Agreement. The headings are for convenience in reference only and shall not limit or otherwise affect the meaning hereof. This Release may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. If any provision of this Release shall be held by a court of competent jurisdiction to be invalid or unenforceable, such provision shall be deemed modified to eliminate the invalid or unenforceable element and, as so modified, such provision shall be deemed a part of this Release as though originally included. The remaining provisions of this Release shall not be affected by such modification. All provisions of this Release are binding and shall inure to the benefit of the Parties and their respective delegatees, successors and assigns.

IN WITNESS WHEREOF, the Parties have caused this Release to be made effective on the day and year first above written.

ROYAL ALOHA FRANCHISE COMPANY, LLC:

Date:_____

By:_____
Name:_____
Title:_____

FRANCHISEE:

Date:_____ _____
Individually

Date:_____ _____
Individually

AND:
(if a corporation, limited liability company or partnership)

_____
Company Name

Date:_____ By:_____
Title:_____

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EXHIBIT L

ADDENDUM TO LEASE AGREEMENT

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EXHIBIT L
(TO DISCLOSURE DOCUMENT)

ADDENDUM TO LEASE AGREEMENT

THIS ADDENDUM TO LEASE AGREEMENT (this "**Addendum**") is effective as of _____ ___, 20__ (the "**Effective Date**"), and is being signed simultaneously with the Lease (the "**Lease**") dated _____ __, 20__ between _____ (the "**Franchisee**" or "**Tenant**") and _____ (the "**Landlord**") for the real property commonly known as _____ (the "**Premises**").

1. **Incorporation and Precedence**. This Addendum is incorporated into the Lease and supersedes any conflicting provisions in it. Capitalized terms not otherwise defined in this Addendum have the meanings as defined in the Lease.

2. **Background**. The Tenant will operate a BAD ASS COFFEE OF HAWAII Shop at the Premises under a Franchise Agreement dated _____ ____, 20__ (the "**Franchise Agreement**") with Royal Aloha Franchise Company, LLC (the "**Franchisor**"). By entering into a franchise relationship with the Franchisor, the Tenant has agreed to ask the Landlord to include certain provisions in the Lease.

3. **Marks**. The Tenant has the right to display the trade and service marks set forth on Exhibit A to this Addendum and incorporated by reference herein in accordance with the specifications required by the Franchisor, subject only to the provisions of applicable law, for the term of the Lease.

4. **Easement.** The Landlord grants to the Tenant during the term of the Lease a non-exclusive right and easement over that portion of the property as may be required by the Tenant to improve, renovate, repair, replace and maintain the Premises or replace its signage or its panel on the pylon and/or monument sign for the property. The Tenant has the right to change or alter the signage at any time during the term of the Lease provided the signage is in compliance with all applicable governmental codes and regulations. The signage may include: (a) signage on the exterior front wall of the Premises; (b) signage on another exterior portion of the Premises; (c) a separate pylon or monument sign on the property; (d) separate signage on the property, (e) a panel on the pylon or monument sign for the property; and (f) other signage that may be required by the Franchisor and agreed upon by the Landlord and the Tenant.

5. **Access to Premises**. During the term of the Lease, the Landlord and Tenant acknowledge and agree that the Franchisor will have unrestricted access to the Premises to inspect the Premises and Tenant's business operations in accordance with the Franchise Agreement.

6. **Copies of Reports**. The Landlord agrees to provide copies of all revenue and other information and data in Landlord's possession related to the operation of the Tenant's BAD ASS COFFEE OF HAWAII Shop on a timely basis as the Franchisor may request, during the term of the Lease.

7. **Notice of Default**. The Landlord will give written notice to the Franchisor (concurrently with the giving of such notice to the Tenant) of any defaults (a "**Default**") by the Tenant under the Lease by certified mail, return receipt requested, or by nationally recognized overnight courier service, at the following address or to such other address as the Franchisor may provide to Landlord from time to time:

Royal Aloha Franchise Company, LLC
7347 South Revere Parkway, Building A, Suite A,

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Centennial, CO 80112
Attn: Scott Snyder, CGO

Such notice will grant the Franchisor the right, but not the obligation, to cure any Default, if the Tenant fails to do so, within 15 days (or such longer period as may be reasonably required to cure such Default provided the Franchisor commences such cure within such fifteen (15) day period and diligently pursues such cure to completion) after the expiration of the period in which the Tenant may cure the Default under the Lease.

8. **Franchisor's Assumption of Lease**. In the event of a Default of the Lease by Tenant or the default of the Franchise Agreement by Tenant, and upon written notice by the Franchisor to have the Lease assigned to the Franchisor, or its assignee, parent, subsidiary, or affiliate (including another franchisee) ("**Franchisor Party**") as lessee (the "**Assignment Notice**"), then, (i) the Franchisor Party will become the lessee of the Premises and will be liable for all obligations under the Lease arising after the date of the Assignment Notice and (ii) the Landlord will recognize the Franchisor Party as the lessee of the Premises effective as of the date of the Assignment Notice. Unless and until the Franchisor exercises its rights under the Franchise Agreement and the provisions of this Addendum and agrees in writing to assume the Lease, the Franchisor Party will have no liability or obligation under the Lease.

9. **Default Under Franchise Agreement**. Any Default under the Lease which is not cured by Tenant within any applicable cure period also constitutes grounds for termination of the Franchise Agreement.

10. **Non-Disturbance**. So long as the Lease term continues and the Tenant is not in Default under the Lease, the Tenant's use, possession and enjoyment of the Premises will not be interfered with by any lender of the Landlord or any other person. The Landlord agrees to use its best efforts to obtain prior to commencement of the Lease any documents necessary to ensure the foregoing, including a Subordination, Non-Disturbance and Attornment Agreement or similar agreement.

11. **Amendment**. The Landlord and the Tenant will not cancel, terminate (including Tenant's voluntary surrender), modify or amend the Lease including, without limitation, the Franchisor's rights under this Addendum, without the Franchisor's prior written consent, which will not be unreasonably withheld, and any attempted cancellation, termination, modification, acceptance of surrender or amendment without the Franchisor's consent shall be null and void and have no effect as to the Franchisor's interest thereunder. The Franchisor will have fifteen (15) days from receipt to respond to such requests.

12. **Removal of Fixtures**. The Landlord agrees that, upon the earlier of the expiration or termination of the Franchise Agreement or the Lease or upon any Default under the Lease or any default under the Franchise Agreement, the Franchisor will have the right, but not the obligation, at the Franchisor's sole cost, to enter upon the Premises and to remove any or all furniture, fixtures, equipment and all trade names, trade dress and other trade indicia associated with the Franchisor, including, without limitation, Tenant's property, external and internal signage and all trade dress and architectural characteristics identifying the Premises as a BAD ASS COFFEE OF HAWAII franchise, provided that the Franchisor shall promptly repair any damage to the Premises caused by such removal or modifications. The Franchisor will have fifteen (15) days from receipt of such notice of expiration or termination to remove such items.

13. **Assignment**. The Tenant shall have the right to assign all of its right, title and interest in the Lease to a Franchisor Party at any time during the term of the Lease, including any extensions or renewals thereof, without first obtaining the Landlord's consent in accordance with the Collateral Assignment of Lease attached hereto as Exhibit B or otherwise. However, no assignment shall be effective until the Franchisor Party gives Landlord written notice of its acceptance of the assignment, and nothing contained

herein or in any other document shall make the Franchisor Party a party to the Lease, or a guarantor thereof, and shall not create any liability or obligation of the Franchisor Party unless and until the Lease is assigned to, and accepted in writing by, the Franchisor Party. The Franchisor Party shall have the right to reassign the Lease to another Franchisor Party without the Landlord's consent. Upon any assignment to a Franchisor Party, the term "assignment" under the Lease shall specifically exclude any change of control, sale of substantially all assets or equity, or merger of any Franchisor Party. Furthermore, any Franchisor Party who takes assignment of the Lease shall be entitled to retain any excess rent.

14. **Relationship of Tenant and Franchisor**. The Landlord acknowledges that the Tenant is not an agent or employee of the Franchisor and the Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind the Franchisor or any affiliate of the Franchisor, and that the Landlord has entered into this Addendum with the full understanding that it creates no duties, obligations or liabilities of or against the Franchisor or any Franchisor Party.

15. **Estoppel Certificate**. The Landlord shall from time to time, within twenty (20) days after written request by the Franchisor, execute, acknowledge and deliver to the Franchisor a written certification, in a form reasonably satisfactory to the Franchisor: (i) that the Lease is unmodified and in full force and effect (or, if there has been any modification, stating the nature of such modification); (ii) as to the dates to which the rent and other charges arising under the Lease have been paid; (iii) as to the amount of any prepaid rent or any credit due to the Tenant under the Lease, (iv) the date on which the term of the Lease commenced; (v) as to whether, to the best of its knowledge, information and belief of the Landlord, the Landlord or the Tenant is then in default in performing any of its obligations under the Lease (and, if so, specifying the nature of each such default); and (vi) as to any other fact or condition reasonably requested by the Franchisor.

16. **Benefits and Successors.** The benefits of this Addendum inure to the Franchisor and to its successor and assigns.

17. **Remaining Provisions Unaffected**. Those parts of the Lease that are not expressly modified by this Addendum remain in full force and effect.

(Signatures begin on following page)

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Intending to be bound, the Landlord and the Tenant sign and deliver this Addendum effective on the Effective Date, regardless of the actual date of signature.

Landlord:	**Tenant**:
_____	_____
Address:_____	Address:_____
_____	_____
Phone:_____	Phone:_____
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

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EXHIBIT A
TO ADDENDUM TO LEASE AGREEMENT

Marks

Mark	Registration/Serial Number
BAD ASS COFFEE OF HAWAII	4,584,047
BAD ASS COFFEE OF HAWAII	3,728,946
BAD ASS COFFEE OF HAWAII and design	6,241,047
BAD ASS COFFEE OF HAWAII and design	6,241,075
ROYAL ALOHA COFFEE COMPANY and design	90080686
ROYAL ALOHA COFFEE COMPANY and design	7,516,412
MISCELLANEOUS DESIGN (donkey head)	6,717,176
BAD ASS	7,216,176

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EXHIBIT B
TO ADDENDUM TO LEASE AGREEMENT

Collateral Assignment of Lease

For value received, as of the ____ day of _____, ____ (the "**Effective Date**"), the undersigned, _____, a _____ ("**Assignor**") hereby assigns, transfers and sets over unto Royal Aloha Franchise Company, LLC, a Colorado limited liability company ("**Assignee**"), all of Assignor's right, title and interest as tenant, in, to and under that certain lease, a copy of which is attached hereto as Exhibit A (the "**Lease**") with respect to the premises located at _____ (the "**Premises**"). This Collateral Assignment of Lease (this "**Assignment**") is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Assignee shall take possession of the Premises pursuant to the terms hereof and shall assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the Premises.

Upon a default by Assignor under the Lease or under that certain Franchise Agreement dated _____ ___, ____ between Assignee and Assignor (the "**Franchise Agreement**") or any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the Premises, expel Assignor therefrom, and, in that event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Through the initial term of the Franchise Agreement and any interim period thereof, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day that said option must be exercised, unless Assignee otherwise agrees in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest, to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or the renewal.

IN WITNESS WHEREOF, Assignor and Assignee shall have signed this Assignment as of the Effective Date first above written.

ASSIGNOR:

_____

By:_____
Name:_____
Title:_____

ASSIGNEE:

ROYAL ALOHA FRANCHISE COMPANY, LLC

By:_____
Name:_____
Title:_____

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EXHIBIT A
TO COLLATERAL ASSIGNMENT OF LEASE

LEASE

Please see attached.

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EXHIBIT M

CLOSING ACKNOWLEDGEMENT

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EXHIBIT M
(TO DISCLOSURE DOCUMENT)

NOTICE FOR PROSPECTIVE FRANCHISEES WHO RESIDE IN, OR WHO INTEND TO OPERATE THE FRANCHISED BUSINESS IN, ANY OF THE FOLLOWING STATES : CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI (EACH A REGULATED STATE) : FOR PROSPECTIVE FRANCHISEES THAT RESIDE IN OR ARE SEEKING TO OPERATE THE FRANCHISED BUSINESS IN ANY REGULATED STATE, DO NOT COMPLETE THIS ACKNOWLEDGEMENT OR TO RESPOND TO ANY OF THE QUESTIONS CONTAINED IN THIS ACKNOWLEDGEMENT.

CLOSING ACKNOWLEDGEMENT

Franchisee Name:_____

Franchisee Address:_____

Date:_____ Phone:_____

Where did you hear about Royal Aloha Franchise Company, LLC d/b/a Bad Ass Coffee of Hawaii (the "**Franchisor**")? _____

Salespeople handling this sale:_____

1. The following are true and correct:

1.1. Yes _____ No _____ I had a face-to-face meeting with a franchise marketing representative.

If yes, the date of said meeting was:_____

1.2. _____, 20___. The date which I received the Franchise Disclosure Document about the Franchise.

1.3. _____, 20___. The date I received a fully completed copy (other than signatures) of the Franchise Agreement I later signed.

1.4. _____, 20___. The earliest date on which I signed the Franchise Agreement or any other binding document (not including the Receipt of Disclosure Document).

1.5. _____, 20___. The earliest date on which I delivered cash, check or consideration to the franchise marketing representative or any other person.

2. Representations

2.1. I had an opportunity to review the Franchisor's Disclosure Document, franchise agreement and other agreements attached to the Disclosure Document and understand the terms, conditions and obligations of these agreements.

2.2. I had an opportunity to seek professional advice regarding the Disclosure Document, the franchise agreement and all matters concerning the purchase of my franchise.

2.3. No oral, written or visual claim or representation, promise, agreement, contract, commitment, representation, understanding or otherwise which contradicted or was inconsistent with the Disclosure Document or the Franchise Agreement was made to me.

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2.4. No oral, written visual, or other claim or representation, which stated or suggested any sales, income, expense, profits, cash flow, tax effects or otherwise was made to me by any person or entity representing the Franchisor.

2.5. I have made my own independent determination that I have adequate working capital to develop, open and operate my BAD ASS COFFEE OF HAWAII Shop.

2.6. I acknowledge that the Franchisor will use reasonable efforts to assist me in locating a site for my BAD ASS COFFEE OF HAWAII Shop, but I also understand that I am responsible for the final decision regarding the selection of a suitable site.

2.7. I understand that my investment in a franchise contains substantial business risks and that there is no guarantee that it will be profitable.

2.8. I acknowledge that the success of my franchise depends in large part upon my ability as an independent business person and my active participation in the day to day operation of the BAD ASS COFFEE OF HAWAII Shop.

2.9. The name(s) of the person(s) with whom I dealt in the purchase of my franchise is/are _____.
The name(s) of the person(s) listed above have been listed on the Franchise Disclosure Document receipt that I signed and sent to the Franchisor.

In addition, the Franchisor does not permit any promises, agreements, contracts, commitments, representations, understandings, "side deals" or otherwise or variations or changes in or supplements to the Franchise Agreement except by means of a written Addendum thereto signed by the Franchisee and an officer of the Franchisor.

The Prospective Franchisee understands and agrees to all of the foregoing.

Dated: _____

_____ _____
Prospective Franchisee Prospective Franchisee

All of the above is true, correct and complete to the best of my knowledge:

_____
Franchise Consultant/Salesperson

Approved:

ROYAL ALOHA FRANCHISE COMPANY, LLC

By:_____
Title:_____

****This Questionnaire does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.**

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Hawaii	Pending
Illinois	Not Registered
Indiana	Not Registered
Maryland	Pending
Minnesota	Not Registered
New York	Not Registered
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Pending
Washington	Not Registered
Wisconsin	Pending

Other states may require registration, filing or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

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EXHIBIT N

RECEIPTS

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RECEIPT

(Keep this copy for your records.)

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Royal Aloha Franchise Company, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Royal Aloha Franchise Company, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and the state agency listed on Exhibit A.

The franchisor is Royal Aloha Franchise Company, LLC, located at 7347 South Revere Parkway, Building A, Suite A, Centennial, CO 80112, Telephone: (888) 422-3277.

Issuance date: March 31, 2026, as amended June 9, 2026.

The franchise sellers for this offering is/are: Scott Snyder or _____, located at 7347 South Revere Parkway, Building A, Suite A, Centennial, CO 80112 Telephone: (888) 422-3277 and/or _____ located at _____.

Royal Aloha Franchise Company, LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a Disclosure Document dated March 31, 2026, as amended June 9, 2026, and effective in the franchise registration states on the dates noted on the page preceding the Receipts, that included the following Exhibits:

A List of State Agencies/Agents for Service of Process
B Franchise Agreement
C Development Agreement
D Amendment to Franchise Agreement (Renewal)
E Current Franchisees
F Franchisees Who Have Left the System
G Financial Statements
H Operations Manual Table of Contents
I Nondisclosure and Noncompetition Agreement
J State Addenda and Riders to Disclosure Document, Development Agreement, Franchise Agreement and Other Exhibits
K General Release
L Addendum to Lease Agreement
M Closing Acknowledgment
N Receipts

Date:_____
(Do not leave blank)

_____
Signature of Prospective Franchisee

_____
Print Name

©2026 Royal Aloha Franchise Company, LLC

RECEIPT

(Return this copy to us)

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Royal Aloha Franchise Company, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Royal Aloha Franchise Company, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and the state agency listed on Exhibit A.

The franchisor is Royal Aloha Franchise Company, LLC, located at 7347 South Revere Parkway, Building A, Suite A, Centennial, CO 80112 Telephone: (888) 422-3277.

Issuance date: March 31, 2026, as amended June 9, 2026.

The franchise sellers for this offering is/are: Scott Snyder or _____, located at 7347 South Revere Parkway, Building A, Suite A, Centennial, CO 80112 Telephone: (888) 422-3277 and/or _____ located at _____.

Royal Aloha Franchise Company, LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a Disclosure Document dated March 31, 2026, as amended June 9, 2026, and effective in the franchise registration states on the dates noted on the page preceding the Receipts, that included the following Exhibits:

A List of State Agencies/Agents for Service of Process	I Nondisclosure and Noncompetition Agreement
B Franchise Agreement	J State Addenda and Riders to Disclosure Document, Development Agreement, Franchise Agreement and Other Exhibits
C Development Agreement	
D Amendment to Franchise Agreement (Renewal)	
E Current Franchisees	K General Release
F Franchisees Who Have Left the System	L Addendum to Lease Agreement
G Financial Statements	M Closing Acknowledgment
H Operations Manual Table of Contents	N Receipts

Date:_____
(Do not leave blank)

_____
Signature of Prospective Franchisee

_____
Print Name

You may return the signed receipt either by signing, dating and mailing it to 7347 South Revere Parkway, Building A, Suite A, Centennial, CO 80112, or by emailing a scanned copy of the signed and dated receipt to Royal Aloha Franchise Company, LLC at franchise@royalaloha.com.

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