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FRANCHISE DISCLOSURE DOCUMENT
Blue Martini Franchising, LLC
dba Blue Martini
a Florida Limited Liability Company
2465 Mercer Avenue, Suite 302
West Palm Beach, Florida 33401
(561) 820-8071

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

The total initial investment necessary to begin operation of a Blue Martini franchise unit ranges from \$3,390,500 to \$12,990,500. This includes \$50,500 that must be paid to the franchisor or affiliate. If you sign an Area Development Agreement for additional Outlets after an initial franchise agreement, you will pay us at that time a non-refundable development fee based on the number of additional Outlets you commit to open (\$25,000 for each additional Outlet). When you sign a franchise agreement for the Outlet developed pursuant to the Area Development Agreement, \$25,000 will be applied as a credit toward the initial franchise fee due under the franchise agreement for that additional Outlet.

This disclosure document summarizes certain provisions of your franchise agreement, area development 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, franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Amy Liga at 2465 Mercer Avenue, Suite 302, West Palm Beach, Florida 33401, telephone (561) 820-8071.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read 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, DC 20580. You can also visit the FTC's homepage at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 29, 2025

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 or Exhibit C and Exhibit D.
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 support to my business?	Item 21 or Exhibit E includes 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 Blue Martini in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
What's it like to be Blue Martini franchisee?	Item 20 or Exhibit C and Exhibit D list 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.

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 franchise 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 H.

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.

Special Risks to Consider About This Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Florida, where the franchisor's principal place of business is located. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Florida than in your own state.
2. **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.

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.

**(THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED
BY THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY)**

The following is applicable to you if you are a Michigan resident or your franchise will be located in Michigan.

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months' advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - i. The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - ii. The fact that the proposed transferee is a competitor of the franchisor or sub- franchisor.

- iii. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - iv. The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third-party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services. If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENFORCEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
Attn: Franchise
670 G. Mennen Williams Building
525 West Ottawa Street
P.O. Box 30755
Lansing, Michigan 48909
Telephone Number: (517) 335-7632

**BLUE MARTINI FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
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ITEM 1: THE FRANCHISOR, PARENTS, PREDECESSORS, AND AFFILIATES

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

The Franchisor, Parents, and Affiliates

We are the franchisor for the Blue Martini live entertainment lounge system, which consists of comprehensive marketing and operational systems prescribed by us to be used in the operation of a Blue Martini location pursuant to a Franchise Agreement, as set forth in your Franchise Agreement and the Confidential Operations Manual (the "System"). Our principal business address is 2465 Mercer Avenue, Suite 302, West Palm Beach, Florida 33401.

We have no parent entity.

Our affiliate, Blue Martini Founders, LLC, whose principal business address is 2465 Mercer Avenue, Suite 302, West Palm Beach, Florida 33401, owns and licenses all intellectual property relating to the Blue Martini live entertainment lounge business, including royalty-free intellectual property licensed to us. We will then license you the right to use specific intellectual property under the franchise agreement. Another affiliate, Quality Service Group, LLC, whose principal business address is 2465 Mercer Avenue, Suite 302, West Palm Beach, Florida 33401, provides management services to Blue Martini live entertainment lounges. There are also 5 entities related to us that own and operate 5 Blue Martini live entertainment lounges in Arizona, Florida, and Nevada. Otherwise, we are not controlled by, controlling, or under common control with any other entity that provides goods or services to our franchisees or offers franchises in any line of business.

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

Predecessors

We have no predecessor.

Name Used by Us

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

Agent for Service of Process

Our agent for service of process is Byron Gardiner, whose principal business address is 2465 Mercer Avenue, Suite 302, West Palm Beach, Florida 33401.

Prior Experience of Franchisor and Predecessors

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

Our Business

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

The Business that You Will Conduct

We offer qualified persons the right to independently own and operate a single live entertainment lounge (“Outlet”) with use of the System and Marks, including but not limited to, proprietary interior lighting schemes and designs, upscale decor with a local orientation, live entertainment, and a martini bar featuring specialty proprietary martinis and other Blue Martini Products. The Outlet also serves other liquor and beverages, food, and related merchandise, products, and accessories using designated concepts, designs, recipes, authorized equipment, and techniques.

If you request, and we approve, you and we may enter into an Area Development Agreement (“ADA”) under which you will be granted the opportunity to develop a number of additional Outlets under a mutually agreed timetable and within a negotiated development area. The form of ADA is attached as Exhibit B to this disclosure document. Upon establishing each additional Outlet under an ADA, you will be required to sign a then-current Franchise Agreement, which may differ from the current Franchise Agreement included in this Franchise Disclosure Document.

General Market for Franchised Products and Services

The general market in which you will operate the business involves nightclubs, lounges, bars, full-service restaurants, and other entertainment establishments serving alcohol. The market for Blue Martini Products includes all individuals within a reasonable proximity to the Outlet. This type of business is fully developed, involves the sale of food and beverage to people twenty one (21) years of age and older, and is not seasonal.

Industry Specific Laws or Regulations

The following summary indicates, in general terms, laws or regulations specific to the industry of the operation of a Blue Martini Outlet. Blue Martini Outlets, operating in the industry of restaurants and entertainment venues, nightclubs, bars, and lounges serving beer, wine, and liquor, are heavily regulated. You will need a liquor license, business license, and reseller’s permit, and you must comply with federal, state, and local laws applicable to the operation and licensing of a lounge business, including dance application permits and compliance with zoning requirements. You must also comply with all applicable local, county, state and federal laws, regulations, ordinances, and zoning codes which apply to businesses generally, as well as to the food service industry including health, sanitation, food handling, food preparation, the service of alcohol, waste disposal, smoking restrictions, anti-discrimination,

employment, sexual harassment, personal data collection, retention, and destruction laws, cybersecurity laws, customer privacy laws, and advertising laws at your sole cost and expense. These include many laws, rules, and regulations applicable to businesses generally, such as the Americans with Disabilities Act, federal and state wage and hour laws, and the Occupation Safety and Health Act. You must also comply with regulations pertaining to consumer transactions and your acceptance of credit cards, including but not limited to, the Payment Card Industry Data Security Standards as they may be revised and modified by the Payment Card Industry Security Standards Council (see www.pcisecuritystandards.org) and the Fair and Accurate Credit Transactions Act.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce regulations that govern food preparation and service. State and local agencies inspect restaurants and other retail food service providers to ensure that they comply with these laws and regulations. Certain states or local jurisdictions may also enact or impose laws, regulations, or rules directed toward owners and operators of restaurants and/or retail stores that operate within a system, or under a similar brand name, even if the other locations in the chain are not in the same jurisdiction or state. For example, you must comply with federal, state, and local “menu labeling” laws and regulations. Under the current federal menu labeling laws, restaurants operating under the same brand name with twenty (20) or more outlets must provide to customers certain nutritional information regarding standard menu items.

Before opening or operating your Outlet, you must also obtain a beer, wine, and/or liquor license or similar license (a “Liquor License”). You will need to comply with all local and/or state alcohol beverages licensing rules and regulations. The difficulty and cost of obtaining a Liquor License and the procedures for securing the license vary greatly from area to area. You are solely responsible for investigating the availability and cost of the appropriate Liquor License in your area, qualifying for and obtaining the necessary license(s), and maintaining compliance with applicable law. We recommend that you hire a lawyer who specializes in securing these licenses in your jurisdiction to assist with the process of obtaining a Liquor License. Your Outlet is also subject to “dram-shop” laws which may impose liability on sellers of alcohol for accidents or injuries caused by patrons of a restaurant, bar, or other seller of alcohol. You must understand and comply with these laws in operating your Outlet.

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

You should hire and consult a lawyer to identify and review the applicable local, county, state, and federal laws, rules, regulations that may affect the operation of your Outlet before you sign a Franchise Agreement. It is your, and only your, responsibility on a continuous basis to investigate and satisfy all local, county, state and federal laws, rules, and regulations as they vary from place to place and may change from time to time.

Competition

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

ITEM 2: BUSINESS EXPERIENCE

Mark Vasu: Chief Executive Officer and Manager

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

Stephan Day: Treasurer and Secretary

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

Byron Gardiner: Chief Operating Officer

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

Kyle Dorr: Executive Vice President

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

Amy Liga: Vice President of Administration

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

Carrie Spalding: Director of Kitchen Operations

Ms. Spalding started with us in 2002 at the first Blue Martini location in West Palm Beach, Florida. She currently oversees the development and maintenance of food items and kitchen operations for the company.

Bill Herman: Brand Development Director

Mr. Herman was named our Brand Development Director in January 2019.

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

ITEM 3: LITIGATION

Concluded Actions

BRIAN FARMER and CINDY FARMER, as Surviving Parents and Administrators of the Estate of MICHAEL BRIAN FARMER, Deceased, v. BLUE MARTINI, INC., BLUE MARTINI FRANCHISING, LLC., QUALITY SERVICES GROUP, LLC, S&J BLUE BAR MANAGEMENT, LLC, ABC CORP. AND 123, INC., CIVIL ACTION FILE NO.: 20EV002324 (State Court of Fulton County, Georgia. Filed April 21, 2023). Plaintiffs filed suit against both our franchisee and us and our related entities for wrongful death alleging our Atlanta franchisee served alcohol to a noticeably intoxicated patron who later caused their son's death. Plaintiffs allege we and our related entities are vicariously liable for our franchisee's negligence. Plaintiff seeks compensatory and punitive damages from all defendants. We filed an answer and affirmative defenses denying Plaintiff's claims. On December 6, 2024, Plaintiffs filed a voluntary dismissal without prejudice with the court. Although the matter was dismissed and concluded on that date, we anticipate Plaintiffs may refile the action on or before June 6, 2025.

Other than the above action, no litigation is required to be disclosed in this disclosure document.

ITEM 4: BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5: INITIAL FEES

The Initial Franchise Fee for a single Outlet is \$50,000 and is due and payable in full to us when you sign the Franchise Agreement.

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

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

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

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

ITEM 6: OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty ¹	5% of Gross Revenues	Weekly	Royalty is paid each week by an electronic funds transfer ("EFT") following the week period in which applicable "Gross Revenues" were received. "Gross Revenues" include all revenue from the sale of all products and services and all other income of every kind and nature related to your Outlet, whether for cash, by redemption of gift certificates or for credit, regardless of collection. Gross Revenues do not include sales tax or any other taxes you collect from customers for payment to an appropriate tax authority. You may also be asked to reimburse us for any taxes on Royalties that we pay to a tax authority in your state.
Marketing and Promotion Fees ¹	1% of Gross Revenues ³	Weekly	Marketing and Promotion Fees are paid every week by EFT following the week period in which applicable Gross Revenues were received. Also, on a regional or system-wide basis, we may also impose an additional assessment upon some or all franchisees for one-time advertising or promotional activities if 2/3 of all affected Blue Martini live entertainment lounge outlets agree to such additional assessment by affirmative vote. At this time, we do not collect any Marketing and Promotion Fees, but we plan to in the future.
Initial Training Fee for Additional Attendees ¹	\$1,500 ⁵ (for each attendee)	At completion of training ²	Initial Training is provided to your General Manager and all owners of at least 20% equity in the franchisee entity ("Principal Equity Owner") at no additional charge. Additional attendees of Initial Training, including replacement General Managers, may be required to pay us \$1,500 for each subsequent attendee for Initial Training. You must pay the costs of travel, lodging and meals for all trainees.

Type of Fee	Amount	Due Date	Remarks
Additional On-Site Training	\$150 per day, per individual.	As incurred ²	Additional on-site training at your Outlet may be provided when you open your Outlet. We will charge you our then-current fee for any additional, subsequent, replacement or substitute personnel who attend the additional on-site training program.
Transfer Fee ¹	\$15,000 to \$20,000 ⁵	Not later than 10 days before the transfer ²	The transfer fee covers our costs in reviewing the qualifications of the assignee and providing initial franchise training to the assignee. The transfer fee is (i) \$15,000, if the existing General Manager will continue to act in this capacity after the transfer, or (ii) \$20,000, if a new General Manager needs to be approved and trained by us. There is no transfer fee if franchise is transferred to an entity owned solely by you. No fee is due if franchise is transferred to your personal representative, conservator or heir upon your death or legal disability (if you are an individual) or dissolution (if you are an entity).
Renewal Fee ^{1,4}	\$2,500	When you sign the Renewal Franchise Agreement	You are qualified for renewal if you are in full compliance with your operating requirements, all fees due us are paid and you are not in breach of any term of your Franchise Agreement.
Late Payment Penalty	5% of the amount past due	Immediately upon our demand ²	The late payment penalty is due each time you fail to make a required payment and is in addition to interest on the unpaid amount. You must also reimburse us immediately upon demand for all reasonable costs of collection relating to delinquent amounts.
Interest Charged	15% of the unpaid amount	Immediately upon our demand	Interest charged by us cannot exceed the maximum allowed by the law of the state where the Outlet is located.

Type of Fee	Amount	Due Date	Remarks
New Product and Supplier Testing	The actual cost of the test	As incurred	If you propose to purchase any materials (that you are not required to purchase from us, our affiliate, or a designated supplier) from a supplier that we have not previously approved, you must submit to us a written request for such approval or request the supplier to do so itself. We have the right to require, as a condition of its approval, that our representatives be permitted to inspect the supplier's facilities, and that such information, specifications, and samples as we reasonably designate be delivered to us and/or to an independent, certified laboratory designated by us for testing prior to granting or refusing to grant approval.
Reimbursement of Insurance Costs	Our out-of-pocket costs of obtaining coverage	Immediately upon receipt of invoice	If you fail to procure or maintain the required insurance, we may procure the insurance on your behalf and charge you the purchase cost of the insurance plus our out-of-pocket expenses.
Records and Rights of Inspection (Audit) ¹	Cost of audit plus interest on underpayment	Immediately upon demand for payment ²	Due only if audit discloses an understatement of 5% or more in gross sales for any month or it takes our auditors an unreasonable amount of time (more than 8 hours) to assemble your records for audit.
Website/SEO Fee	\$500 per month	Monthly	This fee covers the cost of operating and updating your Blue Martini location website and search engine optimization.

Type of Fee	Amount	Due Date	Remarks
Upgrades and Maintenance ⁶	\$2,500 for optional or required maintenance, updating, operating or support contracts regarding the personal computer system (including all related hardware and software) as we may specify in the Confidential Operations Manual (the "Computer System"). Cost of required maintenance, upgrades, and changes or modifications to the System.	Annually or at Time of modification	You will make these expenditures as we require to comply with modifications, improvements, and/or upgrades, such as painting, graphics, equipment, or fixture.
POS System ⁷	\$1,200 per month	Monthly	We require you to purchase and use our specific point-of-sale software and accompanying hardware ("POS System").

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

If a state or local law in which the Outlet is located prohibits or restricts your ability to pay and our ability to collect the Royalty Fee, Marketing and Promotion Fee, or other amounts based on Gross Revenues derived from the sale of alcoholic beverages at the Outlet, then you and we will negotiate the Royalty Fee, Marketing and Promotion Fee, and other provisions to provide the same basic economic effect to both you and us as otherwise provided in this Franchise Agreement, with a corresponding change to the definition of Gross Revenues.

(2) If any payment is not paid when due, you must pay interest on the unpaid amount at an annual percentage rate ("APR") of 15% (unless interest rates on delinquent payments in the state in which your Outlet is located are limited by law to a lesser amount, in which case that lesser amount will be charged instead), and you must reimburse us immediately upon demand for all reasonable costs of collection relating to delinquent amounts. Interest begins from the date payment was due.

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

first 5 years after that, you must spend at least 3% of your Gross Revenues on the local marketing, advertising, and promotion of your Outlet. See Item 7.

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

(5) [Intentionally Left Blank]

(6) You must promptly repair or replace defective, worn-out, or obsolete equipment, signage, fixtures or any other item of the interior or exterior of the Outlet that is in need of repair, refurbishing or redecorating in accordance with our established standards, which may be updated from time to time, or as may be required by your Franchise Agreement or lease. We may change or modify the System that is presently identified by the Marks, including the adoption and use of new or modified equipment, supplies, requirements, Marks, or copyrighted materials. You may be responsible for any costs associated with these changes. We reserve the right to require you to update or upgrade equipment, furniture, fixtures, or signage, as well as any computer hardware or software during the term of the franchise and, if we choose to do so, there are no limitations on the cost and frequency of this obligation.

(7) POS System. We require you to purchase and use the POS System as detailed in the Confidential Operations Manual. The initial cost of such system is currently estimated at between \$10,000 to \$20,000, dependent on the current computer capability, hardware, and software that is or is not present at the Outlet, and the number of system devices you choose to operate at your Outlet. You are required to pay POS System supplier the then-current ongoing monthly fee for the POS System, which is currently \$1,200.00 per month. You must have a computer with hardware and software that: (1) meets the minimum requirements to operate a business of this nature; (2) has Internet access and e-mail capability; and (3) includes accounting software. We reserve the right, in our sole and absolute discretion, to modify or change the POS System to an alternative vendor, and the vendor may change or raise the POS System fee amount.

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee ¹	\$50,000	Lump sum; non-refundable	When you sign the Franchise Agreement.	Us
Grand Opening advertising ²	\$15,000 to \$30,000	Lump sum	During the 30 days before and 30 days after you open.	Advertisers and other suppliers
Training expenses ³	\$35,000 to \$75,000	As incurred	During training	Travel and lodging vendors for opening team members
Construction and leasehold improvements ⁴	\$2,500,000 to \$8,500,000	As incurred	Before opening	Contractor, landlord and suppliers

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Equipment, furniture, fixtures, and signage ⁵	\$450,000 to \$1,750,000	As arranged	Before opening	Suppliers
Point of Sale systems, computers, and telecommunications ⁶	\$10,000 to \$20,000, then \$1,200 per month for the POS System	As arranged/As incurred	Before opening, then monthly	Suppliers
Website/SEO Fee ⁷	\$500 per month	Monthly	As arranged	Us
Professional fees – architect ⁸	\$150,000 to \$600,000	As incurred	Before opening	Architect
Professional fees – legal and accounting ⁹	\$15,000 to \$25,000	As incurred	Before opening	Attorneys and accountants
Inventory and supplies to begin operating ¹⁰	\$50,000 to \$120,000	As arranged	Before opening	Designated and approved vendors
Insurance premiums ¹¹	\$40,000 to \$300,000	As incurred	As arranged	Insurance company. Should you for any reason not procure and maintain the insurance coverage required by the Franchise Agreement, we will have the right and authority (without, however, any obligation to do so) to immediately procure the insurance coverage and to charge same to you, in addition to a charge of Ten Percent (10%) as an administrative fee for such action.
Liquor licenses ¹²	\$10,000 to \$1,400,000	As incurred	Before and during opening	State alcohol licensing agency
Other licenses, permits and deposits ¹³	\$15,000 to \$20,000	As incurred	Before and during opening	Government agencies and utilities

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Additional funds – 3 months ¹⁴	\$50,000 to \$100,000	As incurred	After opening	Employees, landlord, other vendors as needed
TOTAL ¹⁵	\$3,390,500 to \$12,990,500			

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

As noted in Item 5, and in the subsequent table of this Item 7, the Initial Franchise Fee for a single Outlet is \$50,000. If you sign an Area Development Agreement (“ADA”), you will pay us at the that time a non-refundable development fee based on the number of additional Outlets you commit to open (\$25,000 as development fee for each additional Outlet). When you sign a franchise agreement for an Outlet contemplated in the ADA, \$25,000 will be applied as a credit toward the Initial Franchise Fee due under the franchise agreement for that additional Outlet. The Initial Franchise Fee and development fee paid under an ADA are fully earned by us when paid and are not refundable.

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

(3) Training typically is performed in south Florida as well as at your Outlet. These expenses represent (i) the wages, travel and living expenses for you and your staff during training, and (ii) reimbursement for the expenses (meals and travel) of our Opening Team. These expenses are to be paid by you as incurred to applicable vendors or parties owed.

(4) You will need to rent and build out a suitable retail site for your Outlet and the rent or lease deposit amount will vary depending on the location as well as purchase price if you elect to purchase. A security deposit and first month’s rent are standard requirements to enter into a commercial lease, and the estimate above includes 3 months of rent and the deposit. You will need to conduct the necessary build-out of your leased space according to our requirements. Outlets require space with between 5,000 and 11,000 square feet. The amounts listed in this type of expenditure are estimates that are based on basic build out of our Outlet design but do not include many variables related to the pre-existing condition of any one location, specific site requirements, and material and labor costs variations due to your region and specific location. The cost of your build-out may be reduced by a Tenant Improvement (“TI”) allowance or rebate from the landlord, which varies depending on the terms of each lease agreement. However, you will be required to complete the build-out, satisfy all related invoices to contractors and service providers in order to qualify for the TI rebate from the landlord. The chart provides an estimate of your initial investment for an Outlet on a leased site. The total estimated initial investment does not include real estate and related costs. We are unable to estimate the cost of purchasing and developing a site for an Outlet, as it will vary considerably depending on such factors as the location and size of the site and the local real estate market.

- (5) Equipment you will need to purchase may include, but is not limited to, complete audio and video system (including sound mixers, microphones, speakers, blue wall of LED lights and DJ system), full bar, refrigerator, freezer, prep tables, hand sinks, indoor and outdoor security system (with cameras) and safe. Required fixtures and furniture include upholstered bench seating, wood and granite tables, patio chairs and tables and indoor chairs. Please refer to the Confidential Operations Manual for a complete listing. Required operational materials include printed materials (such as business cards and brochures), referral gifts and promotional items. The quantity, size, type, and cost of signs will vary substantially per lease space and in accordance with stipulations of each landlord and local governmental regulations. These estimates include the average filing fees for obtaining the necessary sign permits.
- (6) We require you to purchase and use the POS System package (including printers and touch screens) as designated in the Confidential Operations Manual. The initial cost of the POS system and supporting equipment is currently estimated at an initial cost of between \$10,000 to \$20,000, dependent on the current computer capability, hardware, and software that is or is not present at the Outlet, and the number of system devices you choose to operate at your Outlet. You are required to pay directly to the supplier the then-current ongoing monthly fee for the POS System, which is currently \$1,200.00 per month. You must have a computer with hardware and software that: (1) meets the minimum requirements to operate a business of this nature; (2) has Internet access and e-mail capability; and (3) includes accounting software. The POS System supplier may raise the POS System fee amount at any time and we have no operational control over any supplier's pricing. We estimate that the annual cost of optional or required maintenance, updating, operating or support contracts regarding the Computer System is \$2,500.
- (7) This fee covers the cost of operating and updating your Blue Martini location website and search engine optimization.
- (8) Complete and detailed architectural renderings will be required for the build-out of your Outlet.
- (9) This includes professional legal and accounting fees to review the franchise and set up the Outlet.
- (10) This refers to the initial inventory of liquor, food and other authorized products, merchandise and supplies you must stock in order to open your Outlet for business.
- (11) As an independently owned and operated franchisee, you are responsible for all costs or liabilities arising from the operation of your Outlet, and it is imperative that you carry adequate insurance to protect yourself. The cost of the insurance is highly dependent on the estimated sales volume of your Outlet. Should you for any reason not procure and maintain the insurance coverage required by the Franchise Agreement, we will have the right and authority (without, however, any obligation to do so) to immediately procure the insurance coverage and to charge same to you, in addition to a charge of Ten Percent (10%) as an administrative fee for such action.
- (12) You must obtain the necessary full liquor (or full spirits) license to permit you to offer martinis and other alcoholic beverages at your Outlet. The costs of these licenses vary. It is your responsibility to determine exactly what this liquor (or spirits) license will cost. You must supervise your employees at all times to make sure your customers are served alcoholic beverages responsibly. You must also employ and maintain, at all times your Outlet is open, a sufficient number of security personnel on and near the Outlet premises to provide adequate care and custody of your customers.

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

(14) Although we do not require minimum funds for you to start your business, there are some expenses you will incur when you begin your franchise operations, such as inventory, supplies and employees. It is always a good idea to have some cash reserves available to cover initial operating expenses. This estimates the additional funds you will need for your first 3 months of operation. These expenses include payroll costs. We relied on the 16 years of experience of our CEO in determining these figures.

(15) This estimates your initial start-up expenses. We do not finance any part of the initial investment. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

YOUR ESTIMATED INITIAL INVESTMENT – MULTI-UNIT OPERATOR

If you become a multi-unit operator, you will pay a Development Fee. The Development Fee is fully earned by us when received and is not refundable, but is credited against the Initial Franchise Fee for each corresponding Franchise Agreement entered pursuant to the ADA. Meaning, the Initial Franchise Fee for a single Outlet is \$50,000, and if you sign an Area Development Agreement (“ADA”), you will pay us at the that time a non-refundable development fee based on the number of additional Outlets you commit to open (\$25,000 as development fee for each additional Outlet). When you subsequently sign a franchise agreement for an Outlet contemplated in the ADA, \$25,000 will be applied as a credit toward the Initial Franchise Fee due under the franchise agreement for that additional Outlet. The Initial Franchise Fee and Development Fee paid under an ADA are fully earned by us when paid and are not refundable.

For example, if you sign an ADA to open two (2) additional Outlets under separate Franchise Agreements, the following chart shows your estimated initial investment, based on the first table of this Item 7 above.

YOUR ESTIMATED INITIAL INVESTMENT AREA DEVELOPMENT AGREEMENT DEVELOPMENT OF TWO ADDITIONAL FRANCHISED OUTLETS

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Development Fee ¹	\$50,000	Lump sum; non-refundable	When you sign the Area Development Agreement.	Us
Costs for Two Additional Outlets ²	\$6,731,000 to \$25,931,000	Various	Various	Various
TOTAL	\$6,781,000 to \$25,981,000			

In general, none of the expenses listed in the above chart are refundable. We do not finance any portion of your initial investment.

(1) If you sign an Area Development Agreement for additional Outlets after an initial franchise agreement, you will pay us at that time a non-refundable development fee based on the number of

additional Outlets you commit to open (\$25,000 for each additional Outlet). When you sign a franchise agreement for the Outlet developed pursuant to the Area Development Agreement, \$25,000 will be applied as a credit toward the initial franchise fee due under the franchise agreement for that additional Outlet. Our estimate assumes you will develop two (2) additional Outlets, but this is an estimate only and this number of Outlets is not required. There is no minimum or maximum requirement pursuant to the ADA. See Item 5.

(2) These are the estimates to build-out Outlets are based on the initial investment necessary for the first location as listed in the first table of this Item 7. Costs associated with building out additional Outlets are subject to factors that we cannot estimate or control, such as inflation, increased labor costs or increased materials costs. There are no other expenditures required of the Multi-Unit Developer. Our estimate assumes you will develop two (2) additional Outlets, but this is an estimate only and this number of Outlets is not required. There is no minimum or maximum requirement pursuant to the ADA.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Generally

To ensure that high and uniform standards of quality and service are maintained, you are required to operate your Outlet in strict conformity with our methods, standards and specifications and you are required to purchase goods, services, supplies, fixtures, equipment, and inventory only from suppliers we have approved. You are not required to purchase or lease anything from us or any of our affiliates; however, we and our affiliates can be approved suppliers for items. Currently, we are not an approved supplier. We estimate the initial cost of all required purchases and leases of goods, services, supplies, fixtures, equipment, and inventory to be in excess of 70% of your total initial investment (see Item 7). We estimate the ongoing cost of these required purchases and leases to be in excess of 85% of your total ongoing operating expenses. We may formulate and modify, at our sole discretion, specifications and standards we impose on franchisees and suppliers. Specifications and standards are issued to franchisees through written notice to you and to suppliers by written agreement. We attempt to negotiate purchase arrangements with suppliers (including price terms) for the benefit of all Outlets, including those owned by franchisees. We do not provide material benefits (e.g., renewal or additional franchises) to a franchisee based on his use of designated or approved suppliers. If you want to use another supplier, you must make a written request to us for approval, which we will not unreasonably delay, withhold or deny. You must obtain our approval in writing. There are no franchisee purchasing or distribution cooperatives.

We may receive a rebate, or charge an administrative fee, for any group purchasing or system wide purchasing programs we develop or maintain for the benefit of the System or any individual franchisee or group of franchisees, and may use any such amounts we receive without restriction and for any purpose we deem appropriate.

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

You must purchase or lease the POS System packages that we designate for your Blue Martini live entertainment lounge as designated in the Confidential Operations Manual. We have no obligation to provide or assist you in obtaining the POS system. The current estimated initial investment for the POS system is between \$10,000-\$20,000, and the current monthly fee due to the supplier is \$1,200.00 per month. You are responsible for all ongoing maintenance and repairs and upgrades to the POS system. In addition to the POS System, you may be required to purchase, use, and maintain a Computer System

(including all related hardware and software) as we may specify in the Confidential Operations Manual (the “Manual”) or otherwise in writing for use in connection with the Outlet. We may designate certain computer software used in the operation of the Outlet. We require you to maintain an e-mail account and connect the Computer System to a dedicated telephone line (or other communications medium we specify) at all times and be capable of accessing the Internet via a third-party network we designate in the Manual or otherwise in writing. We have designated computer software that must be used in the operation of the POS System and/or Computer System as detailed in the Manual. You must license or sublicense such software from our designated vendor and enter into a software license agreement on the designated vendor’s then-current form. Any menu programing must first be approved by us.

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

Franchisor or its Affiliates Acting as Approved Suppliers

We do not sell or lease any goods, services, supplies or equipment related to establishing or operating the franchised business. However, you may be required to purchase some specified products and other food and beverage items and recipe ingredients that are proprietary to us or that are specifically selected by us for consistency in quality and other considerations only from manufacturers or producers we designate or approve in writing. We will provide a written list of these proprietary or selected items and approved manufacturers or producers. We will also notify you of any additions to or deletions from this list. We may receive a rebate, or charge an administrative fee, for any group purchasing or system wide purchasing programs we develop or maintain for the benefit of the System or any individual franchisee or group of franchisees, and may use any such amounts we receive without restriction and for any purpose we deem appropriate.

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

Approved Suppliers and Approval of Alternative Suppliers

We only designate or approve suppliers who demonstrate to our satisfaction the ability to meet our standards and specifications, who possess adequate quality control and capacity to supply your needs promptly and reliably, and who have been approved by us in the Manual or otherwise in writing. Designation of a supplier may be conditioned on factors established by us, including performance relating to frequency of delivery, standards of service, and payment or other consideration to us or parties designated by us. We may designate a single or multiple suppliers for any given item or service and may concentrate purchases with one or more suppliers. We may receive a rebate, or charge an administrative fee, for any group purchasing or system wide purchasing programs we develop or maintain for the benefit of the System or any individual franchisee or group of franchisees, and may use any such amounts we receive without restriction and for any purpose we deem appropriate.

The current list of approved products and suppliers is found in the Manual. We may make changes to these lists or other parts of the Manual, which we will provide to you.

If you desire to purchase products other than those provided by approved suppliers, you must submit to us a written request for approval of the proposed supplier together with such evidence of conformity with our specifications and program specifications as we may reasonably require. The procedure, as detailed in the Manual, requires you to complete a “Change of Supplier Request Form” that includes information on the supplier’s name, contact information, and the products they provide that you are requesting in substitution. Should you submit such a request to use a proposed new supplier, you may be required to pay either us or an independent facility/laboratory for the cost to inspect the supplier’s facility or test the supplier’s products. The direct cost of testing, if applicable, shall be entered into the Change of Supplier Request Form completed by you. We will have the right to require that our representative be permitted to inspect the supplier’s facility and that samples from the supplier be delivered for evaluation and testing, either to us or to an independent testing facility designated by us. A charge not to exceed the actual costs of evaluation and testing must be paid by you. Our criteria for supplier approvals are contained in the Manual. Within 60 days after our receipt of the completed request or completion of the evaluation and testing (if required by us), we will notify you in writing of our approval or disapproval of the proposed supplier. Approval will not be unreasonably withheld. You must not sell or offer for sale any products or services from a proposed supplier until you receive our written approval of the proposed supplier.

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

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

Issuance of Specifications and Standards

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

Revenue from Franchisee Purchases

In the year ending December 31, 2024, Blue Martini’s revenues from the sale of Coca-Cola and Red Bull products was \$29,834, or approximately .14% of our total consolidated revenues of 21,370,618. The total amount of that money received from or attributable to franchisee purchases was \$1,198.02 for Coca-Cola products, \$14,590 for Red Bull products, and \$4,000 for Fiji products, or .009% of our total consolidated revenues. The purchase of products from Coca-Cola, Redbull, and Fiji will represent approximately 1.8% of your overall purchases in establishing and operating the business..

In 2024, other than what is described above, neither we nor any of our affiliates derived any other revenue, rebates, or other material consideration as a result of required purchases or leases by Blue Martini live entertainment lounge franchisees.

Payments to us and purchases from designated vendors and approved suppliers (i) in establishing your Outlet will range from 70% to 80% of your total initial investment and (ii) in operating your Outlet will range from 85% to 95% of your total monthly expenses.

Cooperatives

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

Negotiated Purchase Arrangements

We may negotiate purchase agreements, including group rates and price terms with suppliers, for purchases of equipment and supplies (including print materials and merchandise) necessary for the operation of the Outlet. Presently, there are supply agreements in effect and you will be required to purchase approved supplies from approved distributors. These include suppliers of beverage products, the POS system, equipment, and services. We may collect and retain certain manufacturing allowances, marketing allowances, rebates, credits, monies, payments, and benefits (collectively, "Allowances") offered to us or to our affiliates by manufacturers, suppliers and distributors based upon your purchases of products and other goods and services. These Allowances are or will be based on System-wide purchases of advertising, food, equipment, supplies, paper goods, merchandise, and other items. In 2024 we did not receive any Allowances for sales to franchised outlets. In the future, we expect that Allowances may vary from supplier to supplier and from product to product. In addition to the Allowances described above, we may also receive fees or payments from one or more suppliers as consideration for negotiating deals with suppliers and/or designating a supplier as an approved supplier or as the sole approved supplier for a particular product or service ("Placement Fee"). During 2024 we did not receive any Placement Fees.

Material Benefits Based on Franchisee Purchases

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

Insurance.

The following is a table of the required coverage with their respective minimum limits of coverage.

The policy or policies will be written by a licensed insurance company of good reputation with a rating of "A VII" or better by A. M. Best Company, or otherwise as we specify in writing and will include, at a minimum (except as different coverages and policy limits may reasonably be specified for all franchisees periodically in the Manual or otherwise in writing), the following:

Type of Insurance	Minimum Requirements	Notes
All Risk Property Insurance	\$2,000,000	Covers direct physical loss or damage to real and personal property for all-risk perils, including flood and earthquake.
General Liability	\$1,000,000 / per occurrence	Covers injuries to other people and damage to their property.
Statutory Worker's Compensation Insurance and Employer's liability insurance	\$1,000,000	Other disability benefits type insurance may be required by statute or rule of the state in which the Outlet is located.
Alcoholic Beverage and/or Liquor Liability	\$1,000,000/ per occurrence or as may be required as a condition of maintaining your state and/or local beverage license(s).	
Assault and Battery Liability Coverage	\$2,000,000	Assault and battery insurance covers emotional and physical injury resulting from altercations between patrons, employees, or both on the premises. A policy may cover both injuries sustained by those directly involved in the altercation, as well as injuries that bystanders sustain. If the policy obtained contains a firearms exclusion, then the policy must explicitly contain violent acts liability coverage in the minimum amount of \$1,000,000.
Commercial Umbrella Coverage	\$1,000,000 total liability per location	Total of all primary underlying coverage.
Business Automobile Liability Coverage	\$1,000,000/ per occurrence	Including single bodily injury and property damage coverage for all owned, non-owned, and hired vehicles.
Products Liability Coverage	\$2,000,000	This policy shall be considered primary.
Business Interruption Insurance	Equivalent to 12 months of operating revenue.	Covers losses and expected expenses, including fees paid to us, for up to 12 months of Outlet closure.

Employment Practices Liability Insurance	\$1,000,000	
Employee Dishonesty Insurance	\$25,000	Covers losses and damages caused by employee dishonesty.
All Risk Cyber Security Insurance	\$5,000,000	For the entity operating the Outlet. Coverage must be adequate for your business size and type.
Any other insurance coverage required by federal, state, or municipal law, by the terms of any lease for the Outlet premises, or as may be required from time to time by us.		

Your insurance must name us as an additional insured and contain a clause requiring notice to us thirty (30) days in advance of any cancellation or material change to any such policy. You must maintain such additional insured status for us on your general liability policies continuously during the term of the Franchise Agreement. The minimum amount of liability coverage we prescribe in no way limits your liability to those minimum amounts. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. We reserve the right from time to time to upgrade the insurance requirements as to policy limits, deductibles, scope of coverage, rating of carriers, etc., upon written notice to you of any change in our insurance requirements. You will have sixty (60) days from receipt of such notice to revise your coverage, as specified in the notice.

These insurance policies must be primary to and without right of contribution from any other insurance policy purchased by us, our affiliates and our respective directors, officers, employees, shareholders, members, agents, successors and assigns (collectively, "indemnitees"); must not limit or reduce coverage for you if there is a claim by us or any one or more of the other indemnitees; must provide a waiver of subrogation in favor of us and our affiliates; and must extend to and provide indemnity for all of your indemnification obligations to us and the other indemnitees.

You must furnish us with a certificate(s) of such required insurance, within sixty (60) days of the signing of the Franchise Agreement, but in no event later than thirty (30) days prior to commencement of operations of the Outlet, and, on any renewal of such insurance while the Franchise Agreement is in effect, and on April 1st of each calendar year while the Franchise Agreement is in effect.

Should you for any reason not procure and maintain the insurance coverage required by the Franchise Agreement, we will have the right and authority (without, however, any obligation to do so) to immediately procure the insurance coverage and to charge same to you. In addition to a charge of Ten Percent (10%) as an administrative fee for such action.

ITEM 9: FRANCHISEE'S OBLIGATIONS

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

	Obligation	Section in franchise agreement	Disclosure document item
a.	Site selection and acquisition/lease	7.1, 7.2	6,11
b.	Pre-opening purchases/leases	7.2, 7.3	8
c.	Site development and other pre-opening requirements	7.1, 7.2	6, 7, 11
d.	Initial and ongoing training	6.1-6.4	11
e.	Opening	3.3, 7.2, 7.3	11
f.	Fees	4.1-4.7, 5.2, 6.2, 8.2(c), 12.2	5, 6
g.	Compliance with standards and policies/operating manual	8.1-8.3	11
h.	Trademarks and proprietary information	8.8, 9.1-9.5	13,14
i.	Restrictions on products/services offered	3.2, 3.4, 8.1, 8.13	16
j.	Warranty and customer service requirements	3.3, 8.1	11
k.	Territorial development and sales quotas	Not applicable	12
l.	Ongoing product/service purchases	7.3	8
m.	Maintenance, appearance, and remodeling requirements	5.2, 7.2, 8.5	11
n.	Insurance	8.10	6, 7, 8
o.	Advertising	4.3, 7.2, 7.3, 8.8, 8.13, 10.1, 10.2	6,11
p.	Indemnification	16.2	6
q.	Owner's participation/management/staffing	3.6, 6.1, 6.2, 8.1, 12.6	11,15
r.	Records and reports	8.7	6
s.	Inspections and audits	8.7, 8.11	6,11
t.	Transfer	12.1-12.7	17
u.	Renewal	5.2, 5.3	17
v.	Post-termination obligations	11.2, 15.1, 15.2	17
w.	Non-competition covenants	11.1-11.3	17
x.	Dispute resolution	14.1-14.5	17
y.	Other: Compliance with anti-terrorism and other federal laws	16.12	Not applicable
z.	Other: Guarantee of franchisee obligations	Exhibit 4	Not applicable

ITEM 10: FINANCING

We do not offer direct or indirect financing to franchisees. We do not guarantee your notes, leases, or 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.

Our Pre-Opening Obligations

Before you open your business, we will:

- (1) Designate your exclusive territory (see section 3.1 and Exhibit 1 of the Franchise Agreement).
- (2) Provide you with initial training and orientation in the Blue Martini System and how to operate the Outlet (see section 6.1 of the Franchise Agreement and the Training Program described below in this Item 11). Your General Manager and Principal Equity Owners must successfully complete initial training to our satisfaction before you can open your Outlet.
- (3) Provide you with a general plan for the layout, furnishing and equipping of your Outlet, together with a written schedule of all Blue Martini Products, and other foods, beverages and merchandise that must be sold at your Outlet and a list of approved and designated suppliers (see section 7.2(a) of the Franchise Agreement).
- (4) We must give our final approval of the location before your Outlet can be placed there (see section 7.2(a) of the Franchise Agreement). You and your landlord will be required by us to complete and sign a rider or addendum to the lease that (i) grants us an option to assume your position as lessee under the lease for the Outlet premises if you are in material default of either the lease for the Outlet premises (including an obligation of the landlord to notify us if you are in default) or the Franchise Agreement, and (ii) requires the landlord to fully cooperate with us in completing de-identification of the Outlet if the Franchise Agreement is terminated or expires without being renewed (see Exhibit C, Lease Rider Addendum to Franchise Agreement). The factors that we consider in accepting a site for the Outlet include general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease or rental terms. We do not typically own and lease to you the premises on which the Outlet will be located. Outlet selection is the same under any ADA, and a Franchise Agreement will be entered for a specific site under an ADA whereby the Franchise Agreement shall govern the Outlet location criteria and timeline. **WE DO NOT MAKE ANY REPRESENTATION OR WARRANTY AS TO THE SUCCESS OR RESULTS WHICH YOU MAY EXPERIENCE AT THE OUTLET. YOU ACCEPT AND ASSUME ALL RISK ASSOCIATED WITH ANY OUTLET'S LOCATION REGARDLESS OF WHICH PARTY IDENTIFIES, LOCATES, OR SUGGESTS THE LOCATION.**
- (5) Provide you with a copy of the confidential Manual (see section 7.2 of the Franchise Agreement). The table of contents for the Manual is attached to this Franchise Disclosure Document as Exhibit G, and, as noted in that Exhibit G, indicates the number of pages in each section and shows a total of 553 pages in the Manual as a whole.

Length of Time to Open the Outlet

We estimate the typical length of time between the signing of the Franchise Agreement (when you make your first payment to us for the franchise) and the opening of your Outlet will be eighteen (18) months. Factors that may affect this time period include the satisfactory completion of initial training by your designated attendees, location of an approved site, ability to obtain an appropriate lease and/or an appropriate liquor license, financing arrangements, compliance with zoning and local ordinances, weather conditions, shortages, the contractor's ability to complete construction of the Outlet, and delivery and installation of equipment, fixtures, and signs. You have 180 days after signing the Franchise Agreement to locate an approved site for your Outlet, and we have 30 days after you propose this site to either accept or reject the location (and if we reject the location, you must promptly propose an alternative location). If you are unable to locate an approved site within one year, we can terminate the Franchise Agreement and ADA (see section 7.2(a) of the Franchise Agreement). If we accept the site for your Outlet but you do not begin operating your Franchised Business within 2 years after you sign the Franchise Agreement, we can terminate the Franchise Agreement (see section 7.2(a) of the Franchise Agreement).

Our Obligations during the Operation of the Franchise

During the operation of the franchised business, we:

- (1) Will provide you with access to and integration of information about your Outlet into the Blue Martini website (see section 6.2(a) of the Franchise Agreement).
- (2) Will be reasonably available by phone and e-mail for guidance in the operation and management of your Outlet (see section 6.2(b) of the Franchise Agreement). However, we do not provide you with assistance in hiring or managing your employees or the day-to-day operation of your Franchised Business.
- (3) May visit you periodically at no cost to you to provide additional sales and administrative review and assistance, including assistance with establishing and using administrative, bookkeeping, accounting, and inventory control procedures. If you request this assistance and we agree to provide it, you must reimburse us for the cost of our representative's transportation and lodging. The nature, frequency, and duration of this assistance by our representatives will be in our sole discretion. (See section 6.2 of the Franchise Agreement.)
- (4) Will notify you if the general state of repair, appearance or cleanliness of your Outlet or its fixtures, equipment or signs do not meet our standards, and specify the action you must take to correct the deficiency (see section 8.11 of the Franchise Agreement).
- (5) May conduct a system-wide mandatory meeting (or annual convention) not more than once a year in Southern Florida or other place in the United States. Attendance of at least one Principal Equity Owner at these meetings will be mandatory (and is highly recommended for other Principal Equity Owners). You must pay the cost of travel, hotel, and meal expenses for your attendees at these mandatory meetings. (See section 6.3 of the Franchise Agreement.)

Advertising Program and Cooperatives for the Franchise System

Beginning on the opening date of your Outlet, you may be required to pay us a Marketing and Promotion Fee of 1% of your Gross Revenues (section 4.3(a) of the Franchise Agreement). We will administer the fund, and each franchised Outlet will contribute on the same basis. Franchisor-owned outlets will not be required to make payments. The fund is not audited. We are not required to spend any Marketing and Promotion Fees in or near your Outlet, although we may do so. Marketing and Promotion Fees collected from Blue Martini franchisees will be spent for national and regional advertising and promotional campaigns designed to promote and enhance the value of the Blue Martini trademarks and their general public recognition and acceptance. None of the funds from the Marketing and Promotion Fee will be used to solicit new franchise sales. We have no obligation to ensure that expenditures from the Marketing and Promotion Fees are or will be proportionate or equivalent to contributions to the Marketing and Promotion Fees by you or the Outlet(s) operating in any geographic area or that any Outlet will benefit directly, indirectly, or in proportion to its contribution in Marketing and Promotion Fees paid. At the current time we do not require that you pay the Marketing and Promotion Fee. However, we plan to do so during the term of your franchise.

Marketing and Promotion Fees are not held in a trust and we assume no fiduciary duty in administering the Marketing and Promotion Fees. These fees will not be subject to audit and no interest on the amounts on deposit will be imputed for your benefit or paid to you. We administer the national advertising program and may receive a fee for doing so. The program is not audited. When we start collecting these fees, we will make annual financial statements available to you upon request. Since we currently do not collect these funds, we cannot provide information on how the funds were used.

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

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

We do not yet have a franchisee council that advises us on advertising policies.

We are not presently involved in any advertising cooperatives.

We require you to spend at least \$15,000 on the Grand Opening Advertising and promotion event in connection with the opening of your Outlet sometime during the 30 days before and 30 days after your Outlet opens (see section 4.3(c) of the Franchise Agreement). Also, beginning 30 days after your Outlet opens for business, you are required to spend at least 3% of your Gross Revenues on the local advertising and promotion of your Outlet (see section 4.3(d) of the Franchise Agreement).

On a national or regional basis, we may impose an assessment on all affected Blue Martini franchisees for special advertising or promotional activities if franchisees owning 2/3 of all affected franchised

territories agree to this assessment, confirmed in writing by each franchisee (see section 4.3(e) of the Franchise Agreement).

Electronic Cash Registers and Computer Requirements

You must purchase and use in your Outlet the specified POS System we require (see section 8.4 of the Franchise Agreement and the Manual). We currently require touch screen terminals and supporting POS System package software, check printers, remote printers, and battery backups, as detailed in the Manual. Currently, the initial cost of the POS System and supporting equipment is estimated at between \$10,000 to \$20,000 dependent on the current computer capability, hardware, and software that is or is not present at the Outlet, and the number of system devices you choose to operate at your Outlet. You are required to pay directly to the supplier the then-current ongoing monthly fee for the POS System, which is currently \$1,200.00 per month. The POS System supplier may raise the POS System fee amount at any time and we have no operational control over any supplier's pricing. You will use this POS System to complete point-of-sale transactions and track your weekly sales. We must have independent access through the Internet to your POS System, and there are no contractual limits on our independent access to the information and data stored on your POS System. You are responsible for all ongoing maintenance and repairs and upgrades. If we designate a different, or replace, the POS System, you will receive a 90-day notice.

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

Neither we nor any of our affiliates have any obligation to provide ongoing maintenance, repairs, or upgrades to the computer/POS System.

Operations Manual

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

We will modify the Manual, and you must comply with these changes when you receive them. This Manual is confidential and remains our property. If you lose or allow the unauthorized duplication of the Manual or any other confidential manuals or proprietary materials loaned to you by us, you will be deemed to be in violation of this Agreement and all other agreements you have with us (see section 8.2

of the Franchise Agreement) and we would be entitled to recover damages from you. We will charge you a fee of fifty dollars (\$50) if you lose your Manual.

The Tables of Contents of the Manuals as of the date of this disclosure document are attached as Exhibit G.

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

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON- THE-JOB TRAINING	LOCATION
Orientation and Training Overview; Company Mission, Service Standards, Cornerstones, History & Goals; Menu Review; Franchisee Responsibilities, Brand Compliance (Vendors, Products) & Marketing	4	40	South Florida
Day to Day; Store Opening and Closing Procedures (Atmosphere Transitions); POS Training, Customer Service & Upselling, Order Standards, Manager Audit Card Review, Incidents, Store Maintenance, and daily Cleaning Duties/Health Code Compliance	6	40	South Florida
BOH (Back of House), Food Prep, Recipe Review, Inventory and Health Code Compliance	4	40	South Florida
Back Office Functions; Cost Analysis (food/beverage/labor), Reports, Accounting and Controls, Payroll and Scheduling	6	40	South Florida
Beverage; Ordering and Receiving, Storing and Rotating, Recipe Review and Product Knowledge, Sampling, Pour Cost Analysis, Inventory; Service Standards	4	40	South Florida

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON- THE-JOB TRAINING	LOCATION
Business and Franchise Administration, Human Resources, Accounting, Royalty Reporting procedures, Financial Reporting requirements, Store Maintenance, Repairs and Maintenance, Business License and Permit Review, Local Store Marketing, Grand Opening, Social Media, and Website	6	20	South Florida
Training Review, Testing and Wrap Up	1	4	South Florida
TOTAL	31	224	

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

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

The instructional material consists of appropriate handouts and information directly from the Manual. Currently, our principal instructor is Despina Modeen who has been with us since January 2014, and who has more than 15 years' experience in the food and beverage industry. Ms. Modeen is assisted by the following training personnel who will participate in the initial training as appropriate: (1) the kitchen training instructor, Carrie Spalding, who has been with us since 2002; (2) general franchise trainer and Director of Human Resources, Meredith Shearon, who has been with us since 2008; (3) general management training, Victor Varga, who has been with us since 2005; and (4) general management training, Scott Mauro, who has been with us since 2010.

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

Additional on-site training at your Outlet may be provided when you open your Outlet. We will charge you our then-current fee for any additional, subsequent, replacement or substitute personnel who attend the additional on-site training program. Currently, we will charge you \$150 per day per individual plus travel expenses. We may provide you with proprietary information and related materials for use in training your staff. These materials are our sole property and must be returned to us when you are finished with them. We will conduct both oral and practical evaluations and issue a Certificate of Completion upon successful completion at the conclusion of the training.

No additional training programs or refresher courses are required. However, you can request additional on-site training and/or assistance at any time. We may provide it at our option, but the Franchise

Agreement does not require us to do so. You are obligated to pay the fees and costs associated with such training.

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

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

ITEM 12: TERRITORY

The Franchise Agreement grants you the right to own and operate an Outlet at a specific location. You will receive an exclusive territory ("Territory") within a defined area surrounding your Outlet in our sole discretion on factors we consider, including population density (typically varying from 1/4 mile in densely populated urban areas to 10 miles in suburban areas), competition, demographics, and other considerations as we determine and as specified in your Franchise Agreement. By "exclusive territory," we mean that so long as you continue to fulfill all obligations under your Franchise Agreement (as reasonably determined by us), we will not grant a Blue Martini live entertainment lounge franchise to any other person nor will we or any of our affiliated entities operate a live entertainment lounge within your Territory. The Franchise Agreement does not provide you with any options, rights of first refusal, or similar rights to acquire additional franchises.

You may relocate your Outlet with our written consent, which will not be unreasonably withheld. Not less than 90 days before the desired date of relocation (unless prior notice is impractical because of a required relocation in which event your notice must be given as soon as possible), you must make a written request for consent to relocate, describing the reasons for the relocation and providing complete written details respecting any proposed new location. Within 20 business days after we receive your request, we will either approve or disapprove in writing such closure or relocation in our sole discretion. If we disapprove of a proposed relocation, you may request an alternative proposed new location.

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

Except for the rights we expressly grant you under the Franchise Agreement, we and all of our affiliates (and our respective successors and assigns, by purchase, merger, consolidation or otherwise) retain all of our rights and discretion with respect to the Marks, the System, Outlets anywhere in the world, and the right to engage in any business whatsoever (without compensation to you), including the rights to:

- (a) establish and operate, and grant to others the right to operate, Outlets at locations outside the Territory, on terms and conditions we deem appropriate;
- (b) sell any products or services under the Marks or under any other trademarks, service marks or trade dress, through alternative channels of distribution, wherever located or operating (including the internet or similar electronic media and supermarkets, and including within your Territory);
- (c) establish and operate, and grant to others the right to operate, restaurants or businesses identified by trademarks, service marks or trade dress, other than the Marks, under terms and conditions we deem appropriate and wherever such restaurants or businesses are located; and
- (d) acquire the assets or ownership interests of one or more businesses providing products and services similar or dissimilar to those provided at Outlets, and to franchise, license or create similar arrangements with respect to these businesses once acquired, and which businesses we may (at our sole discretion, and without obligation) convert, or allow to be converted, to operations as Outlets using any of the Marks and/or the System, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Territory, if applicable).

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

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

The continuation of your exclusive franchise rights to the Territory requires your Outlet to earn at least \$2,000,000 in annual Gross Revenues in the second full calendar year after the Opening Date and in each calendar year after that. If you fail to achieve and maintain this amount of annual Gross Revenues, your franchise rights to the Territory will become non-exclusive, and we may then locate Outlets owned by us or other franchisees in your Territory. The Territory granted by the Franchise Agreement may not be altered except if you and we mutually agree. You will maintain rights to your Territory even if the population there increases.

ITEM 13: TRADEMARKS

You are licensed to operate and identify the Outlet under the principal trademark “Blue Martini” (which is owned by our affiliate company Blue Martini Founders, LLC), logotype displayed on the cover of this disclosure document and other current or future trademarks. The principal trademark “Blue Martini” (with initial martini glass design) was registered (for restaurant and bar services) with the United States Patent and Trademark Office (“USPTO”) on March 2, 2004, registration number 2819726, and renewed

on September 23, 2023. The principal trademark “Blue Martini” (with modified martini glass design), and the one to be used by Blue Martini franchisees, was registered (for restaurant and bar services) with the USPTO on July 22, 2008, registration number 3470058, and renewed on November 20, 2017. The principal trademark “Blue Martini” (with horizontal design) was registered (for bar and cocktail lounge services, restaurant and bar services and serving of food and drink/beverages) with the USPTO, on January 17, 2012, registration number 4086825, and renewed on May 20, 2022. The principal trademark “Blue Martini” (words alone) was registered (for restaurant and bar services) with the USPTO, on December 10, 2013, registration number 4446285, and renewed on July 15, 2023.

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

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

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

We have the right to control any administrative proceedings or litigation involving a trademark licensed to you by us. You must notify us promptly when you learn about an alleged infringement, unfair competition, unauthorized third-party use of or challenge to your use of the trademarks. We then will promptly take the action we think appropriate. We will indemnify you for any action against you by a third party based solely on alleged infringement, unfair competition, or similar claims about the trademarks. We have no obligation to defend or indemnify you if the claim against you relates to your use of the trademarks in violation of the Franchise Agreement. If you learn that any third party whom you believe is not authorized to use our trademarks is using them or any variant of them, you must promptly notify us. We will determine whether or not we wish to take any action against said third party.

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

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

ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents and Copyrights

On January 3, 2014, our related company, Blue Martini Founders, LLC registered its publication “Blue Martini Spec Booklet 2014” with the Copyright Office of the Library of Congress, registration number TXu001897891. The copyright protection for this work is for a term of 95 years from its first publication, or until 2109. Neither we nor any of our affiliates own rights in, or licenses to, other patents or copyrights that are material to the franchise, and you do not receive the right to use any item covered by a patent or copyright. However, we assert a common law copyright in the contents of the Manual (which is described in Item 11 of this disclosure document), and only you or your authorized employees can have access to and use the proprietary information in the Manual. Item 11 also describes limitations on the use of this Manual by you and your employees.

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

There currently are no effective determinations of the Copyright Office (or any court regarding any of the copyrighted materials) other than any information listed above. There are no agreements in effect which significantly limit our right to use or license the copyrighted materials. Finally, there are no infringing uses actually known to us that could materially affect your use of the copyrighted materials in any state. No agreement requires us to protect or defend any copyrights or you in connects with any copyrights.

Our Proprietary Rights in Other Confidential Information

We claim proprietary rights in other confidential information and trade secrets contained in our Manuals. Our confidential and trade secret information contains, in general terms, information, drawings, knowledge, know-how, and techniques used in or related to the operation of a Blue Martini Outlet, including best practices, recipes, and terms and conditions of supplier, vendor, and other contracts.

You and your owners must at all times treat the Manual, and the information contained therein, as confidential. You must not copy, duplicate, record or otherwise reproduce those materials or make them available to any unauthorized person. The Manual is our sole property and must at all times be kept in a secure place on the Blue Martini Outlet premises. We may revise the contents of the Manual, and you must comply with each new or changed standard. You must at all times ensure that the Manual is kept current and up-to-date, and, if there is any dispute as to the contents of the Manual, the terms of the master copy of the Manual we maintain at our home office will be controlling.

In addition to our Manual, you and your owners must protect our other confidential information. You and your owners may not, during the term of the Franchise Agreement or any other agreement between us, or after their termination or expiration, communicate, divulge, or use for the benefit of any other person or legal entity, any confidential information, drawings, knowledge, or know-how concerning the methods of development or operation of a Blue Martini Outlet which may be communicated to you or them or of which you or they may learn in operating Blue Martini Outlets under the Franchise Agreement. You and your owners may divulge the confidential information to only those of your employees that must have access to it in order to develop or operate the Blue Martini Outlet. All

information, drawings, knowledge, know-how, and techniques used in or related to the Blue Martini Outlet which we communicate in writing or otherwise to you, including, software licensed or provided by us, the Manual, recipes, plans and specifications, marketing information and strategies, and site evaluation and selection techniques are confidential for purposes of the Franchise Agreement. There may be certain, limited circumstances where applicable law allows for the disclosure of certain trade secrets, as specified in the Manual.

There is no infringing use known to us which would materially affect your use of such proprietary and/or copyrighted materials, including the Manual.

You must promptly notify us when you learn about any unauthorized use of our proprietary information. We are not obligated to take any action, but we will respond to your notification of unauthorized use as we deem appropriate, including without limitation controlling any litigation and asserting defenses. You must also agree not to contest our interest in these or our other proprietary information. We will indemnify you and hold you harmless from and against any and all judgments resulting from any claim, suit, or demand arising from your authorized and proper use of the Marks in accordance with the terms of the Franchise Agreement. We have the sole discretion to determine whether a similar trademark or service mark that is being used by a third party is confusingly similar to the Marks being used by you or constitutes a misuse of the Marks, and whether and what subsequent action, if any, should be undertaken with respect to such similar trademark or service mark or misuse.

If you or your owners fail to comply with the confidentiality requirements of the Franchise Agreement or other agreements between us, it will cause us irreparable injury (in addition to any other remedies we have) and you and your owners must pay all our court costs and our reasonable attorneys' fees incurred in obtaining specific performance of, or an injunction against any violation of, the requirements of the agreements concerning confidentiality.

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

We are seeking franchisees having at least one Principal Equity Owner who plans to actively participate in the direct management and operation of your Outlet. Additionally, as disclosed in section 8.1(a) of the Franchise Agreement, you must employ at least one designated General Manager (if you are a sole proprietor, this could be you) who has successfully completed our initial training program. You must disclose the identity of the General Manager to us, and if he or she is for any reason no longer acting as General Manager, you must notify us immediately and in writing. Neither the General Manager nor any Principal Equity Owner may have an interest or business relationship with any of our business competitors. The General Manager must devote his or her full time during normal business hours to the management, operation, and development of the Franchised Business. We do not require your General Manager to have any ownership interest in your business, although he or she may do so. The General Manager and other key employees of the franchised Blue Martini live entertainment lounge may be required to sign a non-competition agreement similar to the non-competition agreement contained in your Franchise Agreement.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell at your Outlet all, and only, Blue Martini Products and other goods and services that we designate as required for all franchisees or have approved as described in the Manual or by us

from time to time.

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

There are no restrictions on us from soliciting or accepting orders from customers using the Marks or using any other trademarks, and you are not entitled to any compensation if we do so. There are no restrictions on the customers to whom you may sell Blue Martini Products and related products at your Outlet.

You must at all times maintain an inventory of approved food products, beverages, ingredients and other products, including Blue Martini Products, sufficient in quantity, quality and variety to operate the Outlet in accordance with our prescribed standards and specifications. We may conduct market research to determine consumer trends and salability of new food products and services. You must participate in our market research programs by test marketing new food products and services in your Outlet, as applicable, and providing us with timely reports and other relevant information regarding such market research. You must purchase a reasonable quantity of such test products and make a reasonable effort to sell them.

ITEM 17: RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

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

	Provision	Section in franchise agreement	Section in area development agreement	Summary
c.	Requirements for franchisee to renew or extend	5.2	Not Applicable	Sign Renewal Franchise Agreement (or addendum to existing Franchise Agreement extending its term), remodel your Outlet (if necessary), pay the renewal fee, and sign mutual release. The Renewal Franchise Agreement may have materially different terms and conditions than your original Franchise Agreement, but the boundaries of the Territory and the recurring fees you pay us will remain the same.
d.	Termination by franchisee	Not applicable	Not applicable.	Not applicable.
e.	Termination by franchisor without cause	Not applicable	Not applicable	Not applicable.
f.	Termination by franchisor with cause	13.1-13.11	6.1	We can terminate your Franchise Agreement or ADA only if you are in default of a material term of the agreement. A termination of your Franchise Agreement for material breach does give us the right to declare default of all other franchise agreements or other agreements, including any ADA, you have with us, and terminate your rights under those agreements as well. If we terminate an ADA for the reasons described in Section 6.1, you will be able to maintain ownership and operation of the Outlets that you have developed so long as you are not in material breach of the applicable Franchise Agreements.

	Provision	Section in franchise agreement	Section in area development agreement	Summary
g.	"Cause" defined – curable defaults	13.3	6.1	You have 14 days after notice to cure monetary defaults and 30 days for other defaults that can be cured. A termination of your Franchise Agreement for material breach does give us the right to declare default of all other franchise agreements or other agreements, including any ADA, you have with us, and terminate your rights under those agreements as well. If we terminate an ADA for the reasons described in Section 6.1, you will be able to maintain ownership and operation of the Outlets that you have developed so long as you are not in material breach of the applicable Franchise Agreements.

h.	“Cause” defined – non-curable defaults	13.2	Not Applicable	Non-curable defaults: your bankruptcy or insolvency; your abandonment of the franchised business; you make material misrepresentations relating to your acquisition of the Franchise or you engage in conduct that reflects materially and unfavorably upon the operation and reputation of the Franchised Business or the System; you fail, for a period of 10 days after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operation of the Franchise; after curing any default, you engage in the same noncompliance whether or not such noncompliance is corrected after notice; you repeatedly fail to comply with one or more material requirements of the Franchise Agreement, whether or not corrected after notice; the Franchised Business or your Outlet is seized, taken over, or foreclosed by a government official, creditor, lien holder or lessor, or that a final judgment against you remains unsatisfied for 30 days; you are convicted of a felony or any other criminal misconduct that is relevant to the operation of the Franchise; we make a reasonable determination that your continued operation of the Franchise will result in an imminent danger to public health or safety; or your financial condition is impaired to the point that it is reasonable to conclude that you will not be able to fully discharge your obligations under this Agreement and that impairment continues for at least 30 days. A termination of your Franchise Agreement for material breach does give us the right to declare default of all other franchise agreements or other agreements, including any ADA, you have with us, and terminate your rights under those agreements as well. If we terminate an ADA for the reasons described in Section 6.1, you will be able to maintain ownership and operation of the Outlets that you have developed so long as you are not in material breach of the applicable Franchise Agreements.
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	Provision	Section in franchise agreement	Section in area development agreement	Summary
i.	Franchisee's obligations on termination or non-renewal	15.1	6.1, 6.2	Obligations include removal of our Brand and other trademarks, return of all proprietary information and erasure of all copies of proprietary information, forwarding of telephone number and payment of amounts due (also see r. below).
j.	Assignment of contract by franchisor	12.1	4.1	No restriction on our right to assign. (However, no assignment will be made except to an assignee that in good faith and judgment of the franchisor is willing and financially able to assume our obligations as franchisor under the Franchise Agreement.)
k.	"Transfer" by franchisee – defined	12.2	4.2	Includes transfer of contract or assets or ownership change.
l.	Franchisor's approval of transfer by franchisee	12.2	4.1	We have the right to approve all transfers (including transfers of 100% of the equity interest in a franchisee entity), but we will not unreasonably withhold approval.
m.	Conditions for franchisor approval of transfer	12.2	4.1	New franchisee qualifies, transfer fee paid, purchase agreement approved, training arranged, release signed by you, and current agreement signed by new franchisee (see r. below). Within 60 days after our receipt of all necessary information and documentation required under the Franchise Agreement, or as specified by written agreement between us and you, we will notify you of the approval or disapproval of the proposed transfer of the Franchise by you This notice will be in writing and delivered to you by business courier.
n.	Franchisor's right of first refusal to acquire franchisee's business	12.3	Not Applicable	We can match any legitimate offer for your business, but we have no right of first refusal if the transfer is (i) between or among individuals (including their immediate family members) who have guaranteed obligations under a Small Business Administration loan or (ii) a transfer of less than 100% of the equity interest of a franchisee entity).

	Provision	Section in franchise agreement	Section in area development agreement	Summary
o.	Franchisor's option to purchase franchisee's business	15.2(d), 15.3	Not Applicable	Within 30 days after the termination, expiration or non-renewal of the Franchise Agreement, we have the option, but not an obligation, to purchase all or any portion of your reusable inventory, apparel containing the Marks, proprietary equipment, parts, fixtures, and furnishings owned and used by you in your franchised operation. Also, if the controlling equity ownership interest in our franchisor entity is transferred to third parties (either by reason of a private sale or an initial public offering), we have the option, exercisable by giving you written notice of exercise within 60 days after the effective date of transfer of the controlling equity ownership interest in our franchisor entity, to purchase from you and your Principal Equity Owners all the assets of the Outlet and assume all of your agreements (including any lease or rental agreement) relating to the Outlet, for a price equal to four times your Outlet's earnings before interest, taxes, depreciation or amortization ("EBITDA") during the 12 full calendar months before the effective date of our purchase of assets (or if the Outlet has been open less than 12 months, the greater of (i) four times your Outlet's EBITDA since the Opening Date or (ii) repayment of your verified costs incurred to build out your Outlet).
p.	Death or disability of franchisee	12.6	Not Applicable	The Franchise must be assigned by estate to approved buyer within 270 days.
q.	Non-competition covenants during the term of the franchise	11.1, 11.3	5.1	No involvement in competing business anywhere.
r.	Non-competition covenants after the franchise is terminated or expires	11.2, 11.3	5.1	No competing business for 2 years within 25 miles of your Outlet or any other Blue Martini retail business (this obligation also applies to you if you assign your franchise). The ADA refers to the non-competition covenant in the last Franchise Agreement you signed.

	Provision	Section in franchise agreement	Section in area development agreement	Summary
s.	Modification of the agreement	8.2, 16.14(c)	9.2	No modifications generally, but Manual subject to change.
t.	Integration/merger clause	16.14	9.11	Only the terms of the franchise agreement are binding (subject to state and federal law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	14.1-14.5	7.1	Except for certain claims, the parties agree in the Franchise Agreement to submit disputes initially to mediation before a neutral mediator. The parties shall cooperate with one another in selecting a mediation service. If the mediation proceeding does not result in a settlement, the dispute must then be resolved by arbitration before the American Arbitration Association (AAA) in accordance with its Commercial Arbitration Rules.
v.	Choice of forum	14.1-14.3	7.1	Subject to applicable state law, mediation and arbitration proceedings must take place in Palm Beach County, Florida. Litigation will be conducted in an appropriate court in Florida.
w.	Choice of law	16.13	9.1	The Federal Arbitration Act (9 U.S.C. §1 <i>et seq.</i>) governs the arbitration of disputes under the Franchise Agreement and ADA. Otherwise, subject to applicable state law, the laws of Florida govern the Franchise Agreement and the ADA.

ITEM 18: PUBLIC FIGURES

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

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representation about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our Director of Administration/Risk Manager, Amy Liga, Blue Martini Franchising, LLC, 2465 Mercer Avenue, Suite 302, West Palm Beach, Florida 33401, (561) 820-8071; the Federal Trade Commission; and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary For years 2022 to 2024⁽¹⁾

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	2	2	0
	2023	2	3	+1
	2024	3	3	0
Company-Owned	2022	7	7	0
	2023	7	6	-1
	2024	6	5	-1
Total Outlets	2022	9	9	0
	2023	9	9	0
	2024	9	8	-1

Table No. 2
Transfers of Outlets from Franchisees to New Owners
(other than the Franchisor) For years 2022 to 2024

State	Year	Number of Transfers
Totals	2022	0
	2023	0
	2024	0

Table No. 3
Status of Franchised Outlets For years 2022 to 2024⁽¹⁾

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor or	Ceased Operations - Other Reasons	Outlets at End of the Year
Georgia	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Louisiana	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Florida	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Totals	2022	2	0	0	0	0	0	2
	2023	2	1	0	0	0	0	3
	2024	3	0	0	0	0	0	3

Table No. 4
Status of Company-Owned Outlets For years 2022 to 2024

State or Country	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Arizona	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Florida	2022	5	0	0	0	0	5
	2023	5	0	0	0	1	4
	2024	5	0	0	1	0	3
Nevada	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Totals	2022	7	0	0	0	0	7
	2023	7	0	0	0	1	6
	2024	6	0	0	1	0	5

Table No. 5
Projected New Franchised Outlets As Of December 31, 2024

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

NOTES TO ITEM 20 TABLES:

- (1) The Louisiana location operates under an agreement with Blue Martini Founders LLC, not with Blue Martini Franchising, LLC.

Exhibit D lists the names, addresses and telephone numbers of all Blue Martini franchise outlets, and the names and telephone numbers of any franchisees that have signed franchise agreements but not yet opened their outlets, as of December 31, 2024.

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

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

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

ITEM 21: FINANCIAL STATEMENTS

Exhibit F to the disclosure document contains the following:

Our audited financial statements for our fiscal years ended December 31, 2024, 2023, and 2022.

Our fiscal year end date is December 31, 2024.

ITEM 22: CONTRACTS

The following agreements and other required exhibits are attached to this disclosure document in the pages immediately following:

Exhibit A - Franchise Agreement

Exhibit B - Area Development Agreement

Exhibit C – Lease Rider Addendum to Franchise Agreement

ITEM 23: RECEIPTS

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

BLUE MARTINI

EXHIBIT A: FRANCHISE AGREEMENT

BLUE MARTINI FRANCHISING, LLC

FRANCHISE AGREEMENT

For: _____

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BLUE MARTINI FRANCHISING, LLC FRANCHISE AGREEMENT

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

RECITALS

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

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

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

I. DEFINITIONS

Abandoned. The term "Abandoned" means cessation of operation of the Franchised Business for a period of five (5) consecutive business days, without our prior written consent. A repeated pattern of inactivity at your Outlet for periods of less than five (5) consecutive business days may result in your Franchised Business being deemed Abandoned if in our judgment such inactivity adversely impacts the Franchised Business. However, your Franchised Business will not be deemed Abandoned if the inactivity is due to natural disasters or other matters reasonably beyond your control, provided that you give us notice of any such closure within five (5) business days after the initial occurrence of the event resulting in such inactivity, and we acknowledge in writing that such inactivity is due to one of the foregoing causes, and provided further that you re-establish the Franchised Business and be fully operational within 180 days after the initial occurrence of the event resulting in such inactivity or such longer period as we may permit.

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

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

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

Competitive Business. Any business that: (i) operates as a restaurant and live entertainment lounge with live entertainment and a martini bar, and derives more than twenty-five percent (25%) of its revenue from selling specialty martinis, other liquor and beverages, food, and related merchandise, products, and accessories using designated concepts, designs, recipes, authorized equipment, and techniques similar to Blue Food menu items; or (ii) grants franchises or licenses to others to operate the type of business specified in subparagraph (i).

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

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

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

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

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

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

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

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

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

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

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

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

conditions, opportunities, technology, materials, or local marketing needs and conditions; enhancing the reputation or public acceptance of the System; or better serving the public.

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

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

II. THE FRANCHISED BUSINESS

2.1 Our Business.

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

2.2 The Franchise System.

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

III. GRANT OF FRANCHISE

3.1 Grant of Franchise; Performance Threshold.

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

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

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

3.2 Reserved Rights.

(a) Nothing contained herein accords you any right, title, or interest in or to the Marks, System, marketing and operational techniques, service concepts, proprietary information, or goodwill of ours, except such rights as may be granted hereunder. **THIS AGREEMENT GRANTS YOU ONLY THE RIGHT TO OPERATE THE FRANCHISED BUSINESS AT YOUR OUTLET AND NOWHERE ELSE UNLESS WE SPECIFICALLY ALLOW YOU TO OFFER BLUE MARTINI PRODUCTS ELSEWHERE. ALL OTHER RIGHTS ARE RETAINED BY AND RESERVED TO BMF.**

(b) Except as expressly limited in Section 3.2(a) above, we retain all rights and discretion with respect to the service marks, trademarks, trade names belonging to us, all rights to market and sell Blue Martini Products at venues, similar or dissimilar to those offered at Outlets and the operation of Outlets anywhere located or to be located, and may engage in any business activities whatsoever, within or outside the Territory, whenever and wherever we desire. Specifically, by way of example and without limitation, we reserve the following rights: (i) to establish and operate, and grant to others the right to operate, Blue Martini Outlets at locations outside the Territory, on such terms and conditions as we deem appropriate (you acknowledge that such Outlets may be in direct competition with your Franchised Business, without regard to any adverse effects of such activities on your Outlet and without any obligation or liability to you); (ii) to establish and operate, and grant to others the right to operate, Blue Martini Outlets, or other restaurants using any part or all of the System and/or Marks, that are located at or operated from non-traditional sites within or outside the Territory; (iii) to sell any products or services under the Marks or under any other trademarks, service marks or trade dress, through alternative channels of distribution, wherever located or operating (including, without limitation, the Internet or similar electronic media, supermarkets, and the Territory, if applicable); (iv) to establish and operate, and grant to others the right to operate, restaurants identified by trademarks, service marks or trade dress pursuant to such terms and conditions as we deem appropriate and wherever such restaurants are located; (v) to acquire assets or ownership interests of one or more businesses providing products and services similar or dissimilar to those provided at Outlets, and to franchise, license, or create similar arrangements with respect to those businesses once acquired, and which businesses we may (at our sole discretion, and without obligation) convert, or allow to be converted, to operations as a Blue Martini Outlet using any of the Marks and/or System, wherever these businesses (or franchisees or licensees of these businesses) are located or operating (including in the Territory, if applicable); and (vi) to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at Outlets, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses in the Territory. .

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

3.3 Promotion and Development of Your Outlet.

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

3.4 Extent of Grant.

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

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

3.5 Electronic Execution and Copies.

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

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

3.6 Obligations of Entity Franchisee.

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

(b) As a condition to entering the Franchised Business, if you are an entity, and if the requirements of organizing and establishing an entity in your jurisdiction require certificates of interest, you must place the following legend on all certificates evidencing an equity interest:

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

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

IV. PAYMENTS BY YOU

4.1 Initial Franchise Fee.

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

(b) If before your successful completion of initial training, we decide, in our sole discretion, that you should not operate a Blue Martini business, or if you do not propose an acceptable location for your Outlet within 365 days after the Effective Date (see Section 7.2 below), we may cancel this Agreement. If we cancel this Agreement for either of those reasons, upon execution of a mutual release, we will refund the Initial Franchise Fee you have paid, less any expenses we incurred in processing your Franchise and this Agreement. **Otherwise, the Initial Franchise Fee is not refundable.**

4.2 Royalty.

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

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

4.3 Marketing, Advertising and Promotion.

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

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

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

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

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

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

4.4 Electronic Funds Transfer.

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

4.5 Fees Fully Earned; No Setoff on Payments.

All payments made by you to us pursuant to this Article IV are fully earned and non-refundable when paid to us. All payments to be made by you to us will be made without setoff, deduction, defense, counterclaim, or claims in recoupment.

4.6 Late Fee; Interest on Delinquent Payments.

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

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

4.7 No Accord or Satisfaction.

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

V. INITIAL TERM AND RENEWAL TERMS

5.1 Initial Term.

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

5.2 Renewal Terms.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

that in the event of failure of such acceptance by you, the notice will be deemed a notice of intention not to renew at the end of the Franchise term.

(d) As a condition to renewing your Franchise rights, we and you would sign a mutual release and we will require you to sign, at our option, either (i) our then-current standard Renewal Franchise Agreement not later than 90 days before the end of the term that is expiring or (ii) an addendum to this Agreement extending its term for an additional 10-year term. **IN ADDITION TO NOT GRANTING ANY ADDITIONAL RIGHTS BEYOND THOSE GRANTED IN THIS AGREEMENT, THE THEN-CURRENT RENEWAL FRANCHISE AGREEMENT MAY CONTAIN OTHER TERMS THAT ARE SUBSTANTIALLY DIFFERENT FROM THOSE IN THIS AGREEMENT, PROVIDED THAT THE (i) FEES PAYABLE TO US AND (ii) THE BOUNDARIES OF THE TERRITORY IN THE RENEWAL FRANCHISE AGREEMENT WILL NOT VARY FROM THE TERMS OF THIS AGREEMENT WITHOUT YOUR CONSENT.** The then-current Renewal Franchise Agreement, when executed, will supersede this Agreement.

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

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

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

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

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

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

VI. TRAINING AND ASSISTANCE

6.1 Initial Training.

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

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

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

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

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

6.2 Training and Assistance after Opening.

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

(b) After you open your Franchised Business, we will be reasonably available by telephone and e-mail for guidance in the operation and management of your Outlet. Our field representatives may visit your Outlet and Territory from time to time, but the frequency and duration of any such visits by our representatives is in our sole discretion. However, we do not provide you with assistance in hiring employees.

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

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

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

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

6.3 Mandatory Meetings.

Not more often than once each year, we may conduct a system-wide meeting or series of regional meetings to discuss Blue Martini business activities or other matters relating to the Franchised Business. Attendance of a Principal Equity

Owner at these meetings will be mandatory (and is highly recommended for your General Manager and all of your other Principal Equity Owners). We may limit the number of your attendees at these meetings. You must pay the cost of travel, hotel, and meal expenses for your attendees at these mandatory meetings. The mandatory meetings referenced in this Section 6.3 are in addition to any voluntary convention or sales conference that may be coordinated by us.

6.4 Proprietary Materials.

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

VII. OPENING OF OUTLET AND FRANCHISED BUSINESS

7.1 Your Outlet.

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

7.2 Building Out Your Outlet.

(a) We estimate the typical length of time between the signing of the Franchise Agreement (when you make your first payment to us for the franchise) and the opening of your Outlet will be eighteen (18) months. Factors that may affect this time period include the satisfactory completion of initial training by your designated attendees, location of an acceptable site, ability to obtain an appropriate lease, financing arrangements, compliance with zoning and local ordinances, weather conditions, shortages, the contractor's ability to complete construction of the Outlet, and delivery and installation of equipment, fixtures, and signs. You have one hundred eighty (180) days after signing the Franchise Agreement to locate an acceptable site for your Outlet, and we have thirty (30) days after you propose this site to either accept or reject the location (and if we reject the location, you must promptly propose an alternative location). If you have not located a site for your Outlet that is acceptable to BMF within one (1) year after the Effective Date, BMF may terminate your Franchise Agreement on the basis of your failing to find an acceptable site. You must build out your Outlet (and commence operation of the Franchised Business there) within two years after the Effective Date, using architects, project managers, contractors, subcontractors, architectural plans, and key equipment suppliers designated by BMF (or one of our affiliated companies) or otherwise reasonably acceptable to BMF. You must commence operation of the Franchised Business at your Outlet as soon as practicable after your receipt of a certificate of occupancy (or equivalent document) from the responsible local government authority. If you have not commenced operation of the Franchised Business within 2 years after the Effective Date, BMF may terminate this Agreement effective on written notice. BMF will give you an automatic 60-day extension to open the Outlet beyond the mandatory dates specified above in this Section 7.2(a) if we deem in our sole discretion that you have made a diligent effort to open but were unable to do so due to reasons beyond your reasonable control.

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

(c) BMF will provide you with a sample prototype layout for your Outlet. The prototype plans are to be used as a guideline for your use in developing a final set of plans for construction of the Outlet. You may modify those prototype plans only as required to ensure that the plans and all specifications comply with all applicable federal, state and local laws, codes and regulations, ordinances, building codes and permit requirements and any lease requirements and restrictions. You may not make modifications to the dimensions or the design for the Outlet without our specific authorization. You must submit all modified plans and specifications to us for our approval before seeking municipal approval to develop the Outlet. Our review and acceptance of your plans are not designed to assess compliance with federal, state or local laws and regulations, including the Americans with Disabilities Act, as compliance with such laws is your sole responsibility. At our request, you must submit to us all revised plans and specifications. All development must be in accordance with the plans and specifications we have accepted, and must comply with all applicable laws, ordinances and local rules and regulations. At your sole expense, you must employ architects, designers, engineers, or others designated or approved by BMF to complete, adapt, modify, or substitute the sample plans and specifications for the Outlet. Any architect, general contractor or other builders you use must be licensed and maintain architect's, builder's and/or contractors insurance (as applicable). Our approval of any architect, general contractor or other builders that you use to design or construct the Outlet is not a representation or warranty of any kind, express or implied, of the architect's, general contractor's or other builder's qualifications or competence in designing or constructing the Outlet. The architect must submit a complete set of final plans and specifications to BMF before commencing construction of the Outlet. BMF will review these plans and specifications promptly and accept them as stated or provide you with our comments on the plans and specifications. BMF has complete and uncontested control over the design of the Outlet and you may not modify the design or choose third-party designers without our express written consent. You may not commence construction of the Outlet until BMF accepts in writing the final plans, specifications, and contractors to be used in constructing the Outlet. BMF will consult with you, to the extent BMF deems necessary, on the construction and equipping of the Outlet, but it is and will remain your sole responsibility to diligently construct, equip and otherwise make ready, and then open the Outlet. You are responsible, at your expense, for obtaining all zoning classifications, permits, clearances, certificates of occupancy and center clearances which may be required by governmental authorities.

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

(e) BMF must have access to your Outlet while work is in progress. We may make video records of construction in process and may require such reasonable alterations to or modifications in the construction of the Outlet as we deem necessary. Your failure to promptly commence the design, construction, inventorying, equipping, and opening of the Outlet with due diligence will be grounds for the termination of this Agreement. And if you do not complete the build out of the Outlet in a reasonable time, BMF can complete the build out, all expenses of which will then be paid or reimbursed by you. You may not open the Outlet for business until we have notified you that the Outlet meets our requirements for opening, including payment in full of the initial franchise fee and all other amounts then owing to us, successful completion of our initial training program, and our receipt of your certificates of insurance in compliance with Section 8.10.

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

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

7.3 Initial Inventory.

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

7.4 Marketing and Advertising Boundaries.

You may not directly promote, advertise, or otherwise market your Outlet outside the boundaries of the Territory or other advertising boundary that we designate, except with our express written permission. The marketing and advertising boundaries are determined by us and may be changed by us or overlap with the territories of other Blue Martini franchised Outlets as market conditions or types of media warrant, all in our sole discretion. Such marketing and advertising boundaries may exceed the Territory provided herein, in our sole discretion.

VIII. OPERATION OF FRANCHISED BUSINESS

8.1 Operational Requirements.

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

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

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

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

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

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

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

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

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

8.2 Confidential Operations Manual.

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

(b) All additions, deletions, or modifications to the Confidential Operations Manual are equally applicable to all similarly situated Blue Martini franchisees. As modified by us from time to time, the Confidential Operations Manual will be deemed to be an integral part of this Agreement and references to the Confidential Operations Manual made in this Agreement, or in any amendments or exhibits hereto, are deemed to mean the Confidential Operations Manual. However, the Confidential Operations Manual, as modified or amended by us from time to time, will not alter your fundamental status and rights under this Agreement. If there is any discrepancy or

dispute about the version of the Confidential Operations Manual that you may have printed and maintain, the master copy of the Confidential Operations Manual that we maintain at our headquarters and available on our website will be the controlling version and will supersede all prior versions.

(c) You will be deemed to be in violation of this Agreement and all other agreements you have with BMF and our affiliated entities if you lose printed portions of, or allow unauthorized access to or duplication of, the Confidential Operations Manual or any other confidential manuals or proprietary materials loaned to you by us. In such instance, you must request a replacement of the lost materials within three (3) business days..

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

8.3 Standards of Operation.

(a) You agree that we, you, and everyone else involved in the System benefit from the maintenance of the highest standards of uniformity, quality, similar appearance, and prominent display of the Marks at your Outlet and elsewhere in your Territory. You acknowledge that each and every aspect of the interior and exterior appearance, layout, décor, services, equipment, and operation of the Franchised Business and Outlet is important to us and is subject to our specifications and standards. You agree to comply with all mandatory specifications, standards, and operating procedures, as modified at any time and from time to time (whether contained in the Confidential Operations Manual or any other written communication) relating to the appearance, function, cleanliness or operation of an Outlet, including: (i) type, quality, taste, weight, dimensions, ingredients, uniformity, and manner of preparation, packing and sale of food products and beverages; (ii) sales procedures and customer service; (iii) advertising and promotional programs; (iv) appearance and dress of employees; (v) safety, maintenance, appearance, cleanliness, sanitation, standards of service and operation of the Outlet; (vi) days and hours of operation; and (vii) customer service, brand loyalty programs and materials and media, including social media websites, used in these programs.

(b) You acknowledge that we own the Marks. Your right to use the Marks is derived solely from this Agreement and is limited to conducting business pursuant to and in compliance with this Agreement. Your unauthorized use of any of the Marks constitutes a breach of this Agreement and an infringement of our rights to the Marks. This Agreement does not confer on you any goodwill or other interests in the Marks. Your use of the Marks and any goodwill established thereby inures to our exclusive benefit. You agree to use the Marks as we prescribe in connection with the sale of authorized food products, beverages, and services, and as more specifically detailed in Section 9.1 of this Agreement.

8.4 Point of Sale System and Computer System.

(a) You must purchase, use, and maintain the computerized point of sale cash collection system and integrated business computer (including all related hardware and software) as specified in the Confidential Operations Manual or otherwise by BMF in writing for use in connection with the Outlet (the “POS System”), and as may be upgraded or replaced from time to time at our sole and absolute discretion. The initial cost of the POS system and supporting equipment ranges from \$10,000 to \$20,000 dependent on the current computer capability, hardware, and software that is or is not present at the Outlet, and the number of system devices you choose to operate at your Outlet. You are required to pay directly to the supplier the then-current ongoing monthly fee for the POS System, which is currently \$1,200.00 per month. The POS System supplier may raise the POS System fee amount at any time and we have no operational control over any supplier’s pricing. The POS System must be powered on and connected at all times to a dedicated, state of the art Internet or other high-speed communications medium

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

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

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

(d) You may not install, and must prohibit others from installing, unauthorized software on the POS System and the Computer System. You must take all commercially reasonable measures to ensure that no virus, malware, Trojan horse, malicious code or other unauthorized code or software is installed on, or transmitted by, the POS System or the Computer System. You must from time to time communicate to BMF all passwords, access keys and other security devices or systems necessary to permit BMF to access the POS System and Computer System and obtain the data we are permitted to obtain under this Agreement, including accounting, sales, marketing, client, and other information to assist in and support the operation of the Franchised Business. The POS System must also be configured and enabled to send daily and weekly sales reports to the email address we provide.

8.5 Maintenance, Upgrades and Refurbishments to the Outlet.

(a) BMF requires that you maintain, and from time to time refurbish, the Outlet to conform to the then-current building design, Trade Dress, and color schemes then applicable for an Outlet. Such maintenance and refurbishment may require expenditures by you on, among other things, structural changes, installing new equipment,

remodeling, redecoration, and modifications to existing improvements and such modifications as may be necessary to comply with System-wide standards then in effect for Outlets or to accommodate new Blue Martini Products. In this regard, the following requirements are applicable:

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

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

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

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

8.6 Relocation of Your Outlet.

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

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

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

8.7 Record Keeping and Reporting Requirements.

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

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

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

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

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

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

8.8 Signs and Display Materials.

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

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

8.9 Customer Lists and Telephone Numbers.

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

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

8.10 Insurance.

(a) The following is a table of the required coverage with their respective minimum limits of coverage.

The policy or policies will be written by a licensed insurance company of good reputation with a rating of "A VII" or better by A. M. Best Company, or otherwise as we specify in writing and will include, at a minimum

(except as different coverages and policy limits may reasonably be specified for all franchisees periodically in the Confidential Operations Manual or otherwise in writing), the following:

Type of Insurance	Minimum Requirements	Notes
All Risk Property Insurance	\$2,000,000	Covers direct physical loss or damage to real and personal property for all-risk perils, including flood and earthquake.
General Liability	\$1,000,000 / per occurrence	Covers injuries to other people and damage to their property.
Statutory Worker's Compensation Insurance and Employer's liability insurance	\$1,000,000	Other disability benefits type insurance may be required by statute or rule of the state in which the Outlet is located.
Alcoholic Beverage and/or Liquor Liability	\$1,000,000/ per occurrence or as may be required as a condition of maintaining your state and/or local beverage license(s).	
Assault and Battery Liability Coverage	\$2,000,000	Assault and battery insurance covers emotional and physical injury resulting from altercations between patrons, employees, or both on the premises. A policy may cover both injuries sustained by those directly involved in the altercation, as well as injuries that bystanders sustain. If the policy obtained contains a firearms exclusion, then the policy must explicitly contain violent acts liability coverage in the minimum amount of \$1,000,000.
Commercial Umbrella Coverage	\$1,000,000 total liability per location	Total of all primary underlying coverage.
Business Automobile Liability Coverage	\$1,000,000/ per occurrence	Including single bodily injury and property damage coverage for all owned, non-owned, and hired vehicles.
Products Liability Coverage	\$2,000,000	This policy shall be considered primary.
Business Interruption Insurance	Equivalent to 12 months of operating revenue.	Covers losses and expected expenses, including fees paid to us, for up to 12 months of Outlet closure.

Employment Practices Liability Insurance	\$1,000,000	
Employee Dishonesty Insurance	\$25,000	Covers losses and damages caused by employee dishonesty.
All Risk Cyber Security Insurance	\$5,000,000	For the entity operating the Outlet. Coverage must be adequate for your business size and type.
Any other insurance coverage required by federal, state, or municipal law, by the terms of any lease for the Outlet premises, or as may be required from time to time by us.		

(b) To the extent permissible under law, insurance requirements may be satisfied with a combination of primary, umbrella and/or excess policies. All insurance policies will name you as named insured and, with the exception of Workers' Compensation, will name BMF and all of our subsidiaries and affiliates of these companies now existing or which may hereafter exist as additional insureds (including their employees, officers and directors on additional insured endorsement forms as designated by BMF) to the full extent of coverage provided under the insurance policies. You must provide us a copy of the policy and endorsement upon issuance and upon each and every renewal as detailed in Section 8.10(c) below. BMF reserves the right from time to time to upgrade the insurance requirements as to policy limits, deductibles, scope of coverage, rating of carriers, etc., upon written notice to you of any change in the insurance requirements. You will have sixty (60) days from receipt of such notice to revise your coverage, as specified in the notice. These insurance policies must be primary to and without right of contribution from any other insurance policy purchased by us, our affiliates and our respective directors, officers, employees, shareholders, members, agents, successors and assigns (collectively, "indemnitees"); must not limit or reduce coverage for you if there is a claim by us or any one or more of the other indemnitees; must provide a waiver of subrogation in favor of us and our affiliates; and must extend to and provide indemnity for all of your indemnification obligations to us and the other indemnitees.

(c) You must promptly notify us of any and all claims against you or us under said policies. You must furnish us with a certificate(s) of such required insurance, within sixty (60) days of the signing of the Franchise Agreement, but in no event later than thirty (30) days prior to commencement of operations of the Outlet, and, on any renewal of such insurance while the Franchise Agreement is in effect, and on April 1st of each calendar year while the Franchise Agreement is in effect. Such insurance certificate must contain a statement that the certificate cannot be canceled without 30 days' prior written notice to you and to us. You must notify us in writing immediately regarding any cancellation, non-renewal, or reduction in coverage or limits.

(d) As an independently owned and operated franchisee, you are responsible for all costs or liabilities arising from the operation of your Outlet and it is imperative that you carry adequate insurance to protect yourself. The insurance requirements set forth in this Section 8.10 are not intended as a representation, implied or expressed, that such insurance is adequate to protect your interest. The insurance coverage requirements contained herein are minimum requirements. These requirements do not relieve you from responsibility for any loss or claim for damages arising out of this Agreement. Should you for any reason not procure and maintain the insurance coverage required by the Franchise Agreement, we will have the right and authority (without, however, any obligation to do so) to immediately procure the insurance coverage and to charge same to you, in addition to a charge of Ten Percent (10%) as an administrative fee for such action.

8.11 Review and Inspection.

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

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

8.12 Compliance with Laws.

You must (i) operate the Franchised Business in compliance with all applicable laws, rules, and regulations of all governmental authorities, including but not limited to, any statute or ordinance or common law pertaining to the sale or serving of alcoholic beverages, (ii) comply with all applicable wage, hour, and other laws and regulations of the federal, state, or local governments, (iii) prepare and file all necessary tax returns, and (iv) promptly pay all taxes imposed upon you or upon your business or property. You represent and warrant that you will obtain and at all times maintain all necessary permits, certificates, or licenses necessary to conduct the Franchised Business in the locality within which the Outlet is situated. You must immediately notify us of any litigation, arbitration, disciplinary action, criminal proceeding, or any other legal proceeding or action brought against or involving you, or any entity affiliated with you, or any agent, employee, owner, director or partner of yours, which notification must include all relevant details in respect thereof, according to the procedures set forth in the Confidential Operations Manual. All of your advertising and promotion must be completely factual and must conform to the highest standards of ethical advertising. In all dealings with us, as well as your customers, suppliers, lessors and the public, you must adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which may be injurious to our business, to the business of other Outlets or to the goodwill associated with the Marks.

8.13 Website and Internet Marketing.

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

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

8.14 Intranet.

(a) We may, at our option, establish and maintain an “Intranet” through which Blue Martini franchisees may communicate with each other, and through which we and you may communicate with each other and through

which we may disseminate the Confidential Operations Manual, updates thereto and other confidential information. We will have discretion and control over all aspects of the Intranet, including the content and functionality thereof. We will have no obligation to maintain the Intranet indefinitely and may dismantle it at any time without liability to you.

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

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

8.15 Franchise Advisory Council.

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

IX. PROPRIETARY MARKS

9.1 License of the Marks.

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

(b) You acknowledge that the Marks have been licensed to us by the Owner of the Marks to use in the Franchise System. You acknowledge and agree your use of the Marks is a temporary authorized use under this

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

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

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

(e) If necessary, you agree to join with us and share the expenses in any application to enter you as a registered or permitted user, or the like, of the Marks with any appropriate governmental agency or entity. Upon termination of this Agreement for any reason whatsoever, we may immediately apply to cancel your status as a registered or permitted user and you hereby consent to the cancellation and agree to join in any cancellation petition. You will bear the expense of any cancellation petition.

9.2 Your Business Name.

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

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

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

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

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

9.3 Trade Secrets and Proprietary Information.

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

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

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

9.4 Modification of Marks and Trade Dress.

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

9.5 Mark Infringement Claims and Defense of Marks.

(a) If you receive notice or otherwise become aware of any claim, suit or demand against you by any party other than us, the Owner of the Marks or any of our affiliates on account of any alleged infringement, unfair competition, or similar matter arising from your use of the Marks in accordance with the terms of this Agreement, or

any misuse of the Marks by third parties on the Internet or otherwise, you must promptly notify us of any such claim, suit, demand, or misuse. You will have no power, right, or authority to settle or compromise any such claim, suit, or demand by a third party, or to intervene to stop misuse, without our prior written consent. We will defend, compromise, or settle at our discretion any such claim, suit, or demand and take steps to stop misuse at our cost and expense, using attorneys selected by us or the Owner of the Marks, and you agree to cooperate fully in such matters.

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

X. MARKETING AND PROMOTION

10.1 Use of Marketing and Promotion Fees.

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

(b) In our sole discretion and as we deem appropriate, BMF is obligated to spend the Marketing and Promotion Fees collected from you and all other Blue Martini franchisees (less our administrative fee) on regional, local, or national media or other marketing techniques or programs designated to promote the retail sale of Blue Martini Products, the Marks, and other aspects of the Blue Martini brand, creative and production costs, and for other purposes deemed appropriate by us to enhance and promote the general recognition of Blue Martini franchises. We have no obligation to ensure that expenditures from the Marketing and Promotion Fees are or will be proportionate or equivalent to contributions to the Marketing and Promotion Fees by you or the Outlet(s) operating in any geographic area or that any Outlet will benefit directly, indirectly, or in proportion to its contribution in Marketing and Promotion Fees paid.

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

10.2 Advertising Content and Costs.

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

XI. NON-COMPETITION COVENANTS

11.1 Exclusive In Term Dealing.

(a) You acknowledge that you will receive valuable specialized training and access to our Proprietary Information and trade secrets, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of the System. You acknowledge that BMF granted you the franchise in consideration of, and reliance upon, your agreement to deal exclusively with us. You therefore agree that, during the term of this Agreement, and any successor franchise agreement, you will not operate, manage, own, assist or hold an interest in (direct or indirect as an employee, officer, director, shareowner, partner or otherwise), or engage in, any Competitive Business selling goods or offering services equivalent to Blue Martini Products or the Franchised Business, without our express prior written consent.

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

11.2 Post Termination Non-Competition Covenants.

For a period of (2) two years after the effective date of termination of this Agreement or its expiration without renewal pursuant to Section 5.2 of this Agreement, you agree that neither you nor any Principal Equity Owner will (either directly or indirectly, for yourself or themselves, or through, on behalf of, or in conjunction with, any person, persons, partnership, corporation or other entity) operate, manage, own, assist or hold an interest in (direct or indirect as an employee, officer, director, shareowner, partner, joint venturer or otherwise), or engage in, any Competitive Business selling goods or offering services equivalent to Blue Martini Products or the Franchised Business, within a radius of 25 miles of (i) your Outlet or (ii) any other authorized location selling Blue Martini Products, without our express prior written consent. In all events, at all times following termination or expiration of this Agreement, you must refrain from any use, direct or indirect, of any of our Proprietary Information, including but not limited to the Marks, System, and Confidential Operations Manual.

11.3 General Provisions Regarding Non-Competition Covenants.

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

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

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

- (d) You acknowledge that BMF has a protectable legal interest in the System, customers of Outlets and the goodwill associated with the Marks and that the non-competition covenants contained in this Article XI are necessary elements to their protection and are an integral part of this Agreement. You also expressly acknowledge the possession of skills and abilities of a general nature and the opportunity for exploiting such skills in other ways, so that enforcement of the covenants made in this Article XI will not deprive you of your personal goodwill or ability to earn a living. If you fail or refuse to abide by any of the foregoing covenants, and we obtain enforcement in a judicial or arbitration proceeding, the obligations under the breached covenant will be tolled during the period(s) of time that the covenant is breached and/or BMF seeks to enforce it, and will continue in effect for a period of time ending two (2) years after the date of the order enforcing the covenant.

XII. ASSIGNMENT

12.1 Assignment by Us.

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

12.2 Assignment by You.

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

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

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

substantially all of the assets of the Franchised Business, or the controlling or non-controlling interest in the Franchised Business, we will communicate the standards to you within 15 calendar days.

(c) Within 60 days after the receipt of all of the necessary information and documentation required pursuant to Section 12.2(b) above, or as specified by written agreement between us and you, we will notify you of the approval or disapproval of the proposed Assignment by You. The notice will be in writing and delivered to you by business courier in accordance with Section 16.1 hereof. Should we elect not to exercise our right of first refusal, or should such right of first refusal be inapplicable, as herein provided, our consent to the proposed Assignment by You will be deemed approved, unless disapproved by us in writing and for reasons permitted by the law governing this Agreement. If the proposed sale, assignment, or transfer is disapproved, we will include in the notice of disapproval a statement setting forth the reasons for the disapproval. We may impose, among other things, the following conditions precedent to our consent to any such Assignment by You (these conditions are consistently applied to similarly situated franchisees operating under the Franchise brand):

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

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

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

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

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

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

(vii) Not later than 10 days before the transfer, you must pay us a non-refundable "Transfer Fee" of (i) \$15,000, if the existing General Manager will continue to act in this capacity after the transfer, or (ii) \$20,000, if a new General Manager needs to be approved and trained by BMF. The Transfer Fee is subject to adjustment in our discretion based on corresponding changes in the CPI since the Effective Date.

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

(e) Any attempt by you to assign or any purported Assignment by You in violation of this section is void and will (i) constitute a material breach of this Agreement, (ii) cause this Agreement (and in our sole discretion any

or all other agreements between you and us, or between you and our affiliates) to be subject to immediate termination without further notice, and (iii) confer no rights or interest whatsoever under this Agreement upon any other party.

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

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

12.3 Right of First Refusal.

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

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

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

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

12.4 Transfers to Certain Family Members.

You or a Principal Equity Owner, if a natural person, may with our written consent, which will not be unreasonably withheld, transfer the Franchised Business or an equity interest in your franchised entity to such person's spouse or person having equivalent rights under applicable federal or state law, parent, sibling, niece, nephew, descendant, or spouse's descendant provided that adequate provision is made for the management of the Franchised Business and the transferor guarantees, in form and substance satisfactory to us, the performance of the transferee's obligations under this Agreement. No transfer under this Section 12.4 will be subject to our right of first refusal set forth in Section 12.3 hereof. However, you must comply with Section 12.2(b)(i) through (vi) above, as well as provide full

disclosure of the terms of said transfer and deliver to us no later than three business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to us no less than three business days following the close of the transaction.

12.5 Transfers to Affiliated Entities.

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

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

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

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

(c) No Transfer under this Section 12.6 will be subject to (i) our right of first refusal set forth in Section 12.3 hereof or (ii) the Transfer Fee set forth in Section 12.2(b)(vii) above, although such refusal right and Transfer Fee will be applicable to any subsequent Transfer by your (or a Majority Equity Owner's) heirs, personal representatives, or conservators. However, you must comply with Section 12.2(b)(i) through (vi) above, as well as provide us with full disclosure of the terms of said transfer not later than sixty (60) days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to us no less than three (3) business days following the close of the transaction.

12.7 Consent to Transfers.

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

XIII. DEFAULT AND TERMINATION

13.1 General.

(a) This Agreement may be terminated by us only for good cause, which means your failure to substantially comply with the lawful requirements imposed upon you by this Agreement after being given notice at least 30 days (except in the case of non-payment of royalty fees, in which case it is at least 14 days) in advance of the termination and a reasonable opportunity, which in no event will be less than 30 days (except in the case of non-payment of royalty fees) from the date of the notice of noncompliance, to cure the failure (provided that this Section 13.1(a) does not apply when there are grounds for immediate termination without notice pursuant to Section 13.2 below).

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

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

13.2 Immediate Termination.

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

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

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

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

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

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

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

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

(viii) The Franchised Business or business premises of the Franchise are seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lien holder or lessor, provided that a final judgment against you remains unsatisfied for 30 days (unless an appeal bond has been filed); or a levy of execution has been made upon the license granted by this Agreement or upon any property used in the Franchised Business, and it is not discharged within five days of such levy;

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

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

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

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

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

(xiv) If you are unable to locate an acceptable site within one (1) year of the Effective Date, or if we accept the site for your Outlet but you do not begin operating your Franchised Business within two (2) years after the Effective Date.

13.3 Termination After Notice.

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

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

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

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

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

13.4 Description of Default.

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

13.5 Statutory Limitations.

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

13.6 Extended Cure Period.

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

13.7 Our Right to Cure Your Defaults.

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

13.8 Waiver and Delay.

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

13.9 Recovery of Lost Royalty.

If this Agreement is terminated because of your material breach, based on the estimated time it takes for a replacement franchise outlet to achieve a similar revenue stream, we are entitled to recover liquidated damages equal to the amount

of the Royalty paid by you during (i) the three years prior to the date this Agreement was terminated or (ii) if the Opening Date is less than three years before the termination date, the time since the Opening Date, in addition to any other remedies or damages to which we may be entitled.

13.10 Collection Costs.

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

13.11 Continuance of Business Relations.

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

XIV. DISPUTE RESOLUTION

14.1 Mediation.

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

(b) If we are unable to settle the Dispute at this settlement conference, within 10 days after that conference we will submit the dispute to any mutually agreed to mediation service for mediation by providing to the mediation service a joint, written request for mediation, setting forth the subject of the dispute and the relief requested. The parties shall cooperate with one another in selecting a mediation service, and shall cooperate with the mediation service and with one another in selecting a neutral mediator and in scheduling the mediation proceedings. The parties covenant that they will use commercially reasonable efforts in participating in the mediation. The parties agree that the mediator's fees and expenses and the costs incidental to the mediation will be shared equally between the parties. The mediation proceedings will be conducted in Palm Beach County, Florida and should be completed within 45 days following the date either party first gives notice of mediation. The mediator will be disqualified as a witness, expert, or counsel for any party with respect to the Dispute and any related matter. Mediation is a compromise negotiation and will constitute privileged communications under the law governing this Agreement. The entire mediation process will be confidential and the conduct, statements, promises, offers, views, and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission as a result of its use in the mediation.

14.2 Arbitration.

(a) Any Dispute between us (and/or our affiliated entities) and you (and/or your Principal Equity Owners or affiliated entities) that is not resolved through mediation, will be resolved through binding arbitration administered Palm Beach County, Florida, by the American Arbitration Association (AAA) in accordance with its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. It is explicitly agreed by each of the parties hereto

that no arbitration of any Dispute may be commenced except in accordance with this Section 14.2. Any dispute arising out of or in connection with this arbitration provision, including any question or objection regarding its existence, validity, scope, arbitrability of any claim or counterclaim, jurisdiction of the arbitrator, venue of arbitration, or termination shall be referred to and finally resolved solely by arbitration.

(b) Arbitration proceedings will be conducted individually by a single plaintiff, and not as a class or by multiple plaintiffs in one action.

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

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

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

14.3 Injunctive Relief.

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

14.4 Legal Fees and Expenses.

The prevailing party in any arbitration or litigation to resolve a dispute between any of the parties hereto will be entitled to recover from the losing party reasonable legal fees (and incurred costs of the prevailing party's counsel) and all other expenses incurred by the prevailing party in bringing or defending such arbitration, action, or proceeding and/or enforcing any resulting award or judgment (including without limitation arbitration or court filing fees, expert and other witness fees, discovery expenses, and compensation payable to the arbitrator), whether incurred prior to or

in preparation for or in contemplation of the filing of the action or thereafter. The prevailing party will be determined by the arbitrator or court. This Section 14.4 is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment, and is not to be deemed merged into the judgment.

14.5 Survival.

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

XV. OBLIGATIONS AND RIGHTS UPON TERMINATION OR EXPIRATION

15.1 Your Obligations.

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

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

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

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

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

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

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

(c) If you fail or omit to make or cause to be made any removal or change described in Section 15.1(b)(i) through 15.1(b)(v) above, then we will have the right, within 15 days after written notice, to enter your Outlet or other premises from which the Franchised Business is being conducted without being deemed guilty of trespass or

any other tort, and make or cause to be made such removal and changes at your expense, which expenses you agree to pay to us promptly upon demand; and you hereby irrevocably appoint us as your lawful attorney upon termination of this Agreement with authority to file any document in the name of and on our behalf for the purpose of terminating any and all of your rights in any trade name you have used that contains any of the Marks.

15.2 Our Rights as Franchisor Upon Termination or Expiration.

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

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

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

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

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

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

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

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

XVI. GENERAL TERMS AND PROVISIONS

16.1 Notices.

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

(i) If to us:
BLUE MARTINI FRANCHISING, LLC
2465 MERCER AVENUE, SUITE 302
WEST PALM BEACH, FL 33401
Phone: (561) 820-8071

(ii) If to you:

_____.

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

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

16.2 Indemnity.

(a) Subject to the terms and conditions set forth in Section 16.2 (a), (b), (c), (d) and (e) you and your Principal Equity Owners, jointly and severally (as "**Indemnifying Party**") shall indemnify, hold harmless, and defend BMF and its officers, directors, employees, agents, affiliates, successors, and permitted assigns (collectively, "**Indemnified Party**") against any and all losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including reasonable attorneys' fees, that are incurred by Indemnified Party (collectively, "**Losses**"), arising out of or related to the operation of your Franchised Business or any third-party claim, any issue identified in this Section 16.2 or in Section 16.3 below, and including but not limited to, allegations of:

- i. breach or non-fulfillment of any provision of this Agreement by Indemnifying Party or Indemnifying Party's Personnel;
- ii. any negligent or more culpable act or omission of Indemnifying Party or its Personnel (including any reckless or willful misconduct) in connection with the performance of its obligations under this Agreement, or Indemnifying Party's development, maintenance, and operation of the Outlet and the Franchised Business;
- iii. any bodily injury, death of any person, or damage to real or tangible personal property occurring during the term of this Agreement;
- iv. any failure by Indemnifying Party or its Personnel to comply with any applicable federal, state or local laws, regulations, or codes in the performance of its obligations under this Agreement;
- v. breach of any representation or warranty by Indemnifying Party of this Agreement;
- vi. the marketing, promotion, advertisement or sale of any of the products and services offered by your Outlet pursuant to this Agreement, including unfair or fraudulent advertising claims (whether in print advertising or electronic media), and product liability claims;
- vii. development, ownership, operation and/or closing of Indemnifying Party's Outlet;
- viii. employment matters in connection with Indemnifying Party's Outlet or Franchised Business; and
- ix. any allegedly unauthorized service or act rendered or performed in connection with this Agreement, and regardless of whether it resulted from any strict or vicarious liability imposed by law on the indemnitees.

(b) Indemnified Party shall give notice to Indemnifying Party (a "**Claim Notice**") promptly after obtaining knowledge of any Losses or discovery of facts on which Indemnified Party intends to base a request for indemnification under Section 16.2(a). Indemnified Party's failure to provide a Claim Notice to Indemnifying Party under this Section 16.2(b) does not relieve Indemnifying Party of any liability that Indemnifying Party may have to Indemnified Party, but in no event shall Indemnifying Party be liable for any Losses that result directly from a delay in providing a Claim Notice, which delay prejudices the defense of the related third-party claim. Indemnifying Party's duty to defend applies immediately, regardless of whether Indemnified Party has paid any sums or incurred any detriment arising out of or relating, directly or indirectly, to any third-party claim.

(c) Notwithstanding anything to the contrary in this Section 16.2, Indemnified Party may select its own legal counsel to represent its interests, and Indemnifying Party shall:

- i. reimburse Indemnified Party for its costs and attorneys' fees immediately upon request as they are incurred; and
- ii. remain responsible to Indemnified Party for any Losses indemnified under Section 16.2(a).

(d) Indemnifying Party shall give prompt written notice to Indemnified Party of any proposed settlement of a claim that is indemnifiable under Section 16.2(a). Indemnifying Party may not, without Indemnified Party's prior written consent, settle or compromise any claim or consent to the entry of any judgment regarding which indemnification is being sought hereunder.

(e) The foregoing indemnity shall apply even if it is determined that the indemnitees' negligence caused such loss, liability or expense, in whole or in part, provided however, that this indemnity will not apply to any liability arising from breach of this Agreement by the indemnitees or the gross negligence or will acts of indemnitees (except to the extent that joint liability is involved, in which event the indemnification provided herein will extend to any finding of comparative or contributory negligence attributable to you). The term "Losses" includes compensatory, exemplary, and punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs, costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses.

16.3 Your Relationship to Us as Franchisee.

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

16.4 No Third-Party Beneficiaries.

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

16.5 Survival of Covenants.

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

16.6 Successors and Assigns.

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

16.7 Joint and Several Liabilities.

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

16.8 Titles for Convenience Only.

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

16.9 Gender.

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

16.10 Severability; Partial Invalidity.

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

16.11 Counterparts.

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

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

(a) You and each of the Principal Equity Owners certify that none of you, the Principal Equity Owners, employees, or anyone associated with you is listed in the Annex to Executive Order 13224 (available at <http://treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>). You covenant not to hire or have any dealings with a person listed in the Annex. You certify that you have no knowledge or information that, if generally known, would result in you, the Principal Equity Owners, employees, or anyone associated with you being listed in the Annex to Executive Order 13224. You and each of the Principal Equity Owners will comply with and assist us to the fullest extent possible in our efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, you and each of the Principal Equity Owners certify, represent, and warrant that none of your respective property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that you and

the Principal Equity Owners are not otherwise in violation of any of the Anti-Terrorism Laws. You are solely responsible for ascertaining what actions must be taken by you to comply with all such Anti-Terrorism Laws. You specifically acknowledge and agree that your indemnification responsibilities as provided in this Agreement pertain to your obligations under this Section 16.12. Any misrepresentation by you under this Section 16.12 or any violation of the Anti-Terrorism Laws by you, any of the Principal Equity Owners, or employees will constitute grounds for immediate termination of this Agreement and any other agreement you entered into with us or one of our Affiliates. "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and any other requirements of any United States governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

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

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

16.13 Governing Law.

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

16.14 Entire Agreement.

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

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

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

XVII. EFFECTIVENESS OF AGREEMENT

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

XVIII. ACKNOWLEDGMENTS AND REPRESENTATIONS

18.1 Acknowledgments and Representations.

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

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

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

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

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

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

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

(h) In entering into this Agreement, you have not relied on any representation by us, or any of our officers, managers, directors, partners, shareholders, employees, or agents concerning the Franchised Business that is contrary

to the terms of this Agreement, the documents incorporated into this Agreement or attached to it, or the FDD that was provided to you.

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

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

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

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

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

18.2 Additional Information Respecting You and Your Principal Equity Owners.

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

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

_____ .

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

YOU:

US:

BLUE MARTINI FRANCHISING, LLC

By: _____

By: _____

[PRINT NAME AND TITLE]

[PRINTED NAME AND TITLE]

List of Exhibits to Franchise Agreement:

Exhibit 1 – Territory and Location of Outlet

Exhibit 2 – Names and Addresses of Principal Equity Owners

Exhibit 3 – Statement of Franchisee

Exhibit 4 – Guarantee, Indemnification, and Acknowledgment

EXHIBIT 1 - TERRITORY AND LOCATION OF OUTLET

The Territory is either ☐ a radius of__miles around the Outlet or ☐ the geographical area surrounding the Outlet as depicted in a map attached to this Exhibit 1.

The Outlet is located at:

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

The Outlet must be open and operating not later than_____.

EXHIBIT 2 - NAMES AND ADDRESSES OF PRINCIPAL EQUITY OWNERS

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

1. _____ 2. _____

_____ %

_____ %

3. _____ 4. _____

_____ %

_____ %

5. _____

_____ %

EXHIBIT 3 - STATEMENT OF FRANCHISEE

A. The following dates are true and correct:

1. _____, 20____ (Date) (Initials)

The date on which I received a Franchise Disclosure Document about the Blue Martini franchise.

2. _____, 20____
(Date) (Initials)

The date on which I signed the Blue Martini Franchise Agreement (must be at least 14 days after the date in A.1).

3. _____, 20____ (Date) (Initials)

The earliest date on which I delivered cash, check or other consideration to a Blue Martini franchise sales representative (must be at least 14 days after the date in A.1).

B. Representations:

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

Initial: _____

(If none, the franchisee must write none).

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

Initial: _____

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

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

Franchisee

By: _____ Date: ____

By: _____ Date: ____

EXHIBIT 4 - GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

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

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

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

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants contained in the Agreement, including but not limited to those set forth in Sections 9.1(b), 9.3, 12.2, 11, and 15 of the Agreement, and acknowledge and agree this Guarantee does not grant the undersigned any right to use the “Blue Martini” Marks or System licensed to Franchisee under the Agreement.

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

Each of the undersigned agrees that all actions arising under this Guarantee or the Agreement, or otherwise as a result of the relationship between Franchisor and the undersigned, must be commenced in accordance with Article 14 of the Agreement, which is incorporated herein. If Franchisor is required to enforce this Guarantee in a judicial or arbitration proceeding, and prevails in such proceeding, Franchisor shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants’, attorneys’, attorneys’ assistants’, arbitrators’, and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guarantee, the undersigned shall reimburse Franchisor for any of the above-listed costs and expenses Franchisor incurs.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement and shall be interpreted and construed in accordance with the Agreement. This Guarantee shall be

interpreted and construed under the laws of the State of Florida. In the event of any conflict of law, the laws of the State of Florida shall prevail (without regard to, and without giving effect to, the application of Florida conflict of law rules).

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

GUARANTOR(S)

(Seal)

Signed: _____
(In his/her individual capacity)

Name: _____

Address: _____

(Seal)

Signed: _____
(In his/her individual capacity)

Name: _____

Address: _____

(Seal)

Signed: _____
(In his/her individual capacity)

Name: _____

Address: _____

BLUE MARTINI

EXHIBIT B: AREA DEVELOPMENT AGREEMENT

BLUE MARTINI FRANCHISING, LLC

AREA DEVELOPMENT AGREEMENT

For: _____

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BLUE MARTINI FRANCHISING, LLC AREA DEVELOPMENT AGREEMENT

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

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

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

I. GRANT OF RIGHTS TO OPEN ADDITIONAL OUTLETS

1.1 Additional Outlets.

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

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

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

1.2 Franchise Agreements.

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

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

1.3 Term.

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

1.4 No Subfranchising Rights.

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

II. DEVELOPMENT OBLIGATIONS

2.1 Development Obligations.

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

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

2.2 Timing of Execution of Leases and Franchise Agreements.

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

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

2.3 Force Majeure.

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

(b) Subject to your continuing compliance with section 2.3(c) below, should you be unable to meet your development obligation for a scheduled additional Outlet solely as the result of a *Force Majeure* that results in your inability to construct or operate the Outlets pursuant to the terms of this

Agreement, the date on which the scheduled additional Outlet is to be opened will be extended by an amount of time equal to the time period during which the *Force Majeure* exists.

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

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

2.4 Termination of Agreement and Limited Additional Development Rights.

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

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

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

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

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

III. DEVELOPMENT FEE

3.1 Development Fee.

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

3.2 Franchise Agreements for Additional Outlets.

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

IV. TRANSFER OR ASSIGNMENT

4.1 Assignability.

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

4.2 Transfers from You to an Affiliated Entity.

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

V. NON-COMPETITION

5.1 Restriction on Competitive Activities.

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

5.2 Website and Unauthorized Advertising.

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

VI. DEFAULT AND TERMINATION

6.1 General.

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

6.2 Operation of Opened Outlets after Termination or Expiration.

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

VII. DISPUTE RESOLUTION

7.1 Mediation.

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

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

7.2 Arbitration.

(a) Any Dispute between us (and/or our affiliated entities) and you (and/or your Principal Equity Owners or affiliated entities) that is not resolved through mediation, will be

resolved through binding arbitration by one arbitrator from the list of retired judges referred by JAMS and selected by the parties in accordance with its Streamlined Arbitration Rules and Procedures (if the amount in controversy is less than \$250,000) or its Comprehensive Arbitration Rules and Procedures (if the amount in controversy is \$250,000 or more), or if the parties in dispute mutually agree, through binding arbitration by any other mutually agreeable arbitration organization. It is explicitly agreed by each of the parties hereto that no arbitration of any Dispute may be commenced except in accordance with this Section 7.2. Any dispute arising out of or in connection with this arbitration provision, including any question or objection regarding its existence, validity, scope, arbitrability of any claim or counterclaim, jurisdiction of the arbitrator, venue of arbitration, or termination shall be referred to and finally resolved solely by arbitration.

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

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

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

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

7.3 Injunctive Relief.

Any party has the right in a situation where there is an imminent threat of harm to the legal rights of a party and damages would not be adequate relief to seek a temporary restraining order and temporary or preliminary injunctive relief from a court of competent jurisdiction in Florida, without the necessity of posting any bond and without the necessity of first complying with Sections 7.1 and 7.2 above, and if bond is nevertheless required by a court of competent jurisdiction, the parties agree that the sum of \$1,000 will be a sufficient bond (this amount may be adjusted by changes in the Consumer Price Index since the Effective Date). If an arbitration proceeding has already commenced pursuant to Section 7.2 above when a party seeks injunctive relief, then the party seeking such injunctive relief agrees to contemporaneously submit the merits of its dispute to the

arbitrator. The existence of a proceeding commenced under Section 7.1 or 7.2 above will in no event abate or otherwise affect the ability of a party to seek injunctive relief on account of this Section 7.3. Franchisee acknowledges that it is one of a number of licensed franchisees using the Marks and that failure on its part to comply fully with any of the terms of this Agreement respecting the obligations regarding examinations, audits and the Marks could cause irreparable damage to Franchisor (and its other affiliated persons or entities), and Franchisor or its affiliates may seek injunctive relief to protect the Marks. This covenant is independent, severable, and enforceable notwithstanding any other rights or remedies that any party may have.

7.4 Legal Fees and Expenses.

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

7.5 Survival.

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

VIII. NOTICES

8.1 Notices.

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

- (i) If to BMF, to:
BLUE MARTINI FRANCHISING, LLC
2465 MERCER AVENUE, SUITE 302
WEST PALM BEACH, FL 33401
Phone: (561) 820-8071

- (ii) If to you, to:

Phone: _____

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

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

IX. GENERAL TERMS AND PROVISIONS

9.1 Governing Law.

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

9.2 Modification.

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

9.3 Waiver and Delay.

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

9.4 Severability; Partial Invalidity.

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

9.5 Titles for Convenience Only.

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

9.6 No Third-Party Beneficiaries.

This Agreement is not intended to benefit any other person or entity except the named parties hereto and no other person or entity (other than financing sources to whom we have granted or consented

to a collateral assignment of this Agreement) will be entitled to any rights hereunder by virtue of so-called "third party beneficiary rights" or otherwise.

9.7 Survival of Covenants.

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

9.8 Successors and Assigns.

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

9.9 Counterparts.

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

9.10 Entire Agreement.

Nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.

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

YOU:

BMF:

BLUE MARTINI FRANCHISING, LLC

By: _____

By: _____

[PRINTED NAME AND TITLE]

[PRINT NAME AND TITLE]

EXHIBIT 1 - DEVELOPMENT SCHEDULE

The initial Outlet (or Outlet 1) is to be opened and operated under the concurrently signed Franchise Agreement. Additional Outlets will be opened at sites that we have reviewed and consented to, all of which will be located in the "Development Area" described either [] in the map immediately following this Exhibit1 or [] as follows:

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

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

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

BLUE MARTINI

EXHIBIT C: LEASE RIDER ADDENDUM TO FRANCHISE AGREEMENT

FRANCHISE ADDENDUM TO LEASE AGREEMENT

This Franchise Addendum to Lease Agreement (the "Addendum") is made as of the ____ day of _____, 202__ ("Effective Date") by and between _____ ("Landlord"), _____ ("Tenant"), and Blue Martini Franchising, LLC ("Blue Martini" or "Franchisor") and their respective successors and assigns (Landlord, Tenant, and Blue Martini may collectively be referred to as the "Parties").

RECITALS

WHEREAS, Tenant and Franchisor have executed a Franchise Agreement (the "Franchise Agreement"), pursuant to which Franchisor has granted Tenant the right to establish and operate a Blue Martini Outlet at the following location: _____ (the "Premises");

WHEREAS, Tenant and Landlord are entering into a lease agreement (the "Lease"), pursuant to which Tenant will lease the Premises from Landlord; and

WHEREAS, Franchisor has required Tenant to include certain terms in the Lease in order to protect Franchisor's rights, and Landlord has agreed to such terms.

NOW, THEREFORE, in consideration of the above premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

AGREEMENT

1. The Parties acknowledge and agree that the recitals set forth above are true and correct and are hereby incorporated by this reference as if they were fully set forth herein. The Parties warrant and represent that they have the full power and authority to make, deliver, enter, and perform the terms and conditions of this Assignment and that the consent or approval of a third party is not required to enter and perform under this Assignment or, if such consent is required, that they will use their best efforts to gain such consent as is necessary.

2. Landlord and Tenant hereby expressly agree that for so long as the Franchise Agreement and the Lease are in effect, the Premises shall be used solely for the operation of a Blue Martini Outlet, unless prior written consent of Franchisor is obtained for any alternative use. The term of the Lease will not be less than ten (10) years with a renewal option of ten (10) years.

3. During the term of the Lease, it is agreed that: (a) Landlord shall not alter, change, or otherwise modify the Premises, but may make repairs and perform maintenance as permitted or required under the Lease; (b) Tenant shall be permitted to make such interior or exterior, non-structural repairs, remodeling, improvements, and alterations to the Premises as may be required by Franchisor pursuant to the Franchise Agreement; and (c) Landlord shall not in any way restrict or limit Tenant's ability to operate the Premises as a Blue Martini Outlet.

4. Subject only to applicable law, Landlord expressly grants to Tenant the right to display the trade name, service mark, and/or trademark "Blue Martini®" and certain other trademarks, service marks, trade names, and symbols used in connection with the operation of a cocktail, food, and entertainment service format and system developed by Franchisor, which display will be in accordance with the specifications required by Franchisor.

5. Landlord agrees to: (a) furnish to Franchisor a copy of any default notice served on Tenant and/or another lessee under the Lease simultaneously with the service of the notice to Tenant and/or such other lessee; (b) provide Franchisor with notice of any proposed renewals, extensions, modifications and amendments to the Lease; (c) give Franchisor the opportunity, but Franchisor shall not be required, to cure any default by Tenant or other lessee under the Lease within thirty (30) days following the expiration of any applicable cure period if Tenant and/or such other lessee fail to cure such default; and (d) to furnish to Franchisor, at Franchisor's request, a copy of any sales or operating information for the Premises provided by Tenant. All notices to Franchisor shall be sent to the following address: 2465 Mercer Avenue, Suite 302, West Palm Beach, Florida 33401, unless Landlord is notified otherwise in writing by Franchisor. No notice to Tenant shall be effective unless and until a copy thereof is served upon Franchisor.

6. Landlord agrees that if Franchisor exercises its right to cure a default by Tenant and/or another lessee under the Lease, then Franchisor may, at its option, succeed to Tenant's and/or such other lessee's interests under the Lease and shall be recognized by Landlord as the lessee or sublessee thereunder for the remaining term of the Lease.

7. Landlord agrees that the expiration of the Franchise Agreement (unless Tenant enters into a renewal Franchise Agreement with Franchisor) or a termination of the Franchise Agreement prior to expiration shall constitute a default under the Lease, giving Franchisor the right, but not the obligation, to cure such default by succeeding to Tenant's and/or any other lessee's interests as the new lessee or sublessee under the Lease.

8. Landlord agrees that upon the termination or expiration of the Lease, Franchisor shall have the first right of refusal to lease the Premises as the new lessee or sublessee.

9. Landlord agrees that Franchisor shall have the right to enter the Premises to make any modifications or alterations necessary in Franchisor's sole discretion to protect its franchise system, trademarks, trade names, trade dress and other intellectual property without being guilty of trespass or any other tort or crime.

10. Landlord agrees that upon the expiration or termination of the Franchise Agreement, Landlord shall remove any trade fixtures, interior or exterior signs or other items bearing Franchisor's trademarks. Landlord agrees upon the expiration or termination of the Franchise Agreement to relinquish to Franchisor any and all liens or other ownership interests, whether by operation of law or otherwise, in and to any tangible property bearing Franchisor's trademarks, service marks or trade dress.

11. Landlord agrees that, if Franchisor succeeds to Tenant's and/or any other lessee's interests under the Lease for any reason, Franchisor shall have the right to further assign the lease or to sublease the Premises to either an entity owned or controlled by Franchisor, or to another Blue Martini franchisee upon obtaining Landlord's written consent, which consent may not be unreasonably withheld, conditioned or delayed by Landlord. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.

12. Upon Franchisor's delivery to Landlord and Tenant of its election to exercise its rights under this Addendum, Franchisor shall be entitled to all of Tenant's rights and interests in the Lease, as if Franchisor were the tenant under the Lease, including, by way of example and not limitation, the right to exercise any and all renewal options thereunder, without the need for any further action or instrument.

13. Landlord and Tenant expressly agree that Franchisor is an intended third party beneficiary of the terms of this Addendum. Landlord and Tenant further agree that Franchisor has no liability or obligation under the Lease unless and until Franchisor exercises its right to assume the Lease under this Addendum.

14. Tenant agrees to indemnify and hold Franchisor and all of its affiliated parties, including its indemnities, agents, officers, directors, employees, parent companies, and affiliated companies (the "Indemnified Parties") harmless against any cost, damage, expense, liability, or loss which any or all of them may suffer or incur which arise from or in connection with Tenant's use of the Premises or breach of any agreement, contract, or understanding with the Landlord, or resulting from Tenant's nonpayment of any debt or obligation to the Landlord.

14. Tenant and Landlord understand that Franchisor is entering into or has entered into the Franchise Agreement with Tenant for Blue Martini Outlet at the Premises in reliance on the agreements of Tenant and Landlord as herein contained and that Franchisor, in this instance, would not have otherwise entered into such Franchise Agreement. In the event of any conflict between the terms of the Lease between Landlord and Tenant and the terms of this Addendum, the terms of this Addendum shall control.

15. Nothing in this Addendum shall affect any term or condition in the Franchise Agreement.

16. The Parties agree that the Lease and this Addendum may not be modified or amended in any manner without the prior written consent of all Parties hereto.

17. Landlord shall not be liable or obligated to Franchisor except (a) as provided in this Addendum, or (b) in the Lease, if and when Franchisor exercises its option to become substitute tenant under the Lease.

IN WITNESS WHEREOF, the Parties hereto have duly executed and delivered this Assignment as of the Effective Date.

LANDLORD:

TENANT:

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date Signed: _____

Date Signed: _____

BLUE MARTINI FRANCHISING, LLC

By: _____

Name: _____

Title: _____

Date Signed: _____

BLUE MARTINI

EXHIBIT D: LIST OF FRANCHISE OUTLETS

LIST OF FRANCHISE OUTLETS

The following Blue Martini franchised Outlets are opened and operating as of December 31, 2024:

FLORIDA

Blue Galleria, LLC
Owner: Celia M Fernandez
2432 East Sunrise Boulevard
Fort Lauderdale, Florida 33304
(954) 653-2583

GEORGIA

Blue Bar Atlanta, Inc.
Owner/CEO: Sal Akturk
3402 Piedmont Road
Atlanta, GA 30305
(770) 427-4590

LOUISIANA

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

BLUE MARTINI

EXHIBIT E: LIST OF TERMINATED FRANCHISES

LIST OF TERMINATED FRANCHISES

**FRANCHISEES WHO LEFT THE SYSTEM
FROM JANUARY 1, 2024 TO DECEMBER 31, 2024
or who have not communicated with the franchisor within 10 weeks of the disclosure
document issuance date**

None

BLUE MARTINI

EXHIBIT F: FINANCIAL STATEMENTS

**BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY**

FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY

December 31, 2024 and 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Blue Martini Franchising, LLC
West Palm Beach, Florida

Opinion

We have audited the accompanying financial statements of Blue Martini Franchising, LLC which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations and changes in total members' equity, and cash flows for the years ended December 31, 2024, 2023, and 2022 and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Blue Martini Franchising, LLC as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years ended December 31, 2024, 2023, and 2022 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Blue Martini Franchising, LLC 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 these 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Blue Martini Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 GAAS 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 in error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Blue Martini Franchising, LLC'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 financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Blue Martini Franchising, LLC'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.

Walker Ostrowski Williams

Deerfield Beach, Florida

April 29, 2025

BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY
BALANCE SHEETS

December 31, 2024 and 2023

ASSETS

	2024	2023
Cash in Bank	\$ 31,521	\$ 55,291
Royalties Receivable	7,714	24,448
Prepaid Expenses	18,947	21,380
Deferred Expenses	34,282	27,657
Due from Affiliates	35,429	15,429
Other Receivables	23,674	20,313
TOTAL ASSETS	\$ 151,567	\$ 164,518

LIABILITIES AND MEMBERS' EQUITY

Liabilities:

Accounts Payable	\$ 9,256	\$ 13,083
Due to Affiliates	4,288	4,288
Notes Payable	18,378	-
Deferred Franchise Fees	150,000	125,000
Total Liabilities	181,922	142,371

Members' Equity

Members' Capital Paid In	214,460	214,460
Accumulated Deficit	(244,815)	(192,313)
Total Members' Equity (Deficit)	(30,355)	22,147

**TOTAL LIABILITIES AND MEMBERS'
EQUITY**

\$ 151,567	\$ 164,518
-------------------	-------------------

BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY
STATEMENT OF OPERATIONS AND CHANGES IN TOTAL MEMBERS' EQUITY (DEFICIT)

For the Years Ended December 31, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Revenues:			
Royalty Fees	\$ 231,369	\$ 215,770	\$ 236,679
Franchise Fees	-	50,000	-
Total Revenues	<u>231,369</u>	<u>265,770</u>	<u>236,679</u>
Expenses:			
Professional Fees	55,216	102,941	76,321
Management and Consulting Fees	146,414	34,882	38,491
Insurance	22,495	23,000	18,740
Office Expense	4,820	7,195	2,752
Other Franchisee Costs	1,865	1,972	44
Travel & Entertainment	200	1,034	1,616
Marketing & Advertising	2,361	809	-
Total Expenses	<u>233,371</u>	<u>171,833</u>	<u>137,964</u>
	(2,002)	93,937	98,715
Other Income (Expense)			
Bad Debt	(10,500)	-	-
Interest Expense	-	-	(229)
Total Other Income (Expense)	<u>(10,500)</u>	<u>-</u>	<u>(229)</u>
Net Income (Loss)	(12,502)	93,937	98,486
Member's Equity (Deficit), beginning	22,147	(1,790)	(276)
Distributions	<u>(40,000)</u>	<u>(70,000)</u>	<u>(100,000.00)</u>
Members' Equity (Deficit), Ending	<u>\$ (30,355)</u>	<u>\$ 22,147</u>	<u>\$ (1,790)</u>

BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY

STATEMENTS OF CASH FLOW

For the Years Ended December 31, 2024, 2023 and 2022

Increase (Decrease) in Cash

	2024	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Net Income	\$ (12,502)	\$ 93,937	\$ 98,486
Adjustments to Reconcile Net Income to Net			
Cash Provided by (Used in) Operating Activities:			
(Increase) Decrease in Operating Assets:			
Royalties Receivable	16,734	(2,271)	(8,869)
Prepaid Expenses	2,433	2,528	(1,212)
Deferred Expenses	(6,625)	(15,158)	-
Due from Affiliates	(20,000)	565	-
Other Receivable	(3,361)	(20,313)	-
Increase (Decrease) in Operating Liabilities:			
Accounts Payable	(3,827)	4,619	(18,459)
Due to Affiliates	-	-	(35,805)
Deferred Franchise Fees	25,000	25,000	-
Due to Members	-	(10,000)	10,000
Other Liabilities	-	-	(100,000)
Net Cash Provided by (Used in) Operating Activities	<u>(2,148)</u>	<u>78,908</u>	<u>(55,859)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>			
Insurance-Note Payable	18,378		-
Members' Distributions	(40,000)	(70,000)	(100,000)
Net Cash Provided by (Used in) Financing Activities	<u>(21,622)</u>	<u>(70,000)</u>	<u>(100,000)</u>
Increase (Decrease) in Cash	(23,770)	8,908	(155,859)
Cash, Beginning	<u>55,291</u>	<u>46,383</u>	<u>202,242</u>
Cash, Ending	<u><u>31,521</u></u>	<u><u>\$ 55,291</u></u>	<u><u>\$ 46,383</u></u>
Supplemental Information			
Interest Paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,520</u>

**BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Business Activity

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

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

Income Taxes

The Company files as a partnership for income tax purposes, which provides that partners are taxed on their proportional share of income. Beginning in 2024, all activity is filed under the Blue Delaware Franchising, LLC partnership return, due to the transfer of ownership. Therefore, no provisions or liability for income taxes is included in these financial statements. Generally, federal income tax returns filed are not subject to examination beyond a three year statutory period and management does not believe returns are required by any other taxing jurisdiction.

Estimates

The accompanying financial statements include management estimates as required by generally accepted accounting principles.

Advertising

Marketing and advertising costs are recognized when the event takes place or the advertising is published, except for direct costs incurred for a new franchise opening which are recorded as described below.

Subsequent Events

The Company has evaluated subsequent events through April 29, 2025, the date the financial statements were available to be issued.

NOTE 2 – ROYALTIES RECEIVABLE

Royalties receivable are recorded as earned consistent with revenue recognition below. Generally the Company considers all of its receivables to be collectible. At December 31, 2022 contract receivables totaled \$22,177. Other contractual related assets and liabilities included deferred expenses of \$12,500 and deferred franchise fees of \$100,000 at December 31, 2022.

BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

Note 3 – INSURANCE NOTE PAYABLE

In December 2024, the Company entered into a loan agreement to finance \$18,378 of related insurance premiums over an eleven-month period (a non-cash transaction). Payments of \$1,765 are due monthly through November 2025, including interest at 1.220%.

Note 4 – MEMBERS' EQUITY

Pursuant to the terms of the Operating Agreement dated in 2014, membership equity was divided among the four founding members. These members contributed capital totaling \$214,460 in accordance with their equitable allocation. In June 2024, all founding members transferred their ownership to Blue Delaware Franchising, LLC, with Company distributions continuing to be made as allocated per the Company's original terms of agreement for distribution participants.

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

NOTE 5 – REVENUES

The Company recognizes revenue in accordance with FASB ASC 606, Revenue from Contracts with Customers (606). In accordance with 606, the Company identifies a contract when it has approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Revenue is recognized when obligations under the terms of the contract are satisfied; generally, this occurs with the transfer of control of goods or service to the customer. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services.

Franchise Fees

Franchise fees are received concurrently with the signing of the franchise or developer agreement and recognized upon commencement of operations of the franchise location under its performance obligation. Deferred franchise fees are recorded for fees collected but not earned with related deferred expenses recorded for pre-opening sales commissions, costs and related supporting services.

Agreements require the payment of an initial, nonrefundable fee of \$25,000 per outlet, (including developers intending to purchase additional franchises) to be applied as a credit towards the total franchise fee of \$50,000 per outlet. During 2023 an existing Blue Martini lounge under ownership by an affiliated entity, was sold to an outside party who agreed to operate as a franchise location. The related \$50,000 franchise fee for this location was recognized in 2023.

BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

At December 31, 2023 the Company recorded deferred franchise fees aggregating \$125,000 under four agreements covering five outlets. In 2024 a fifth agreement for an additional outlet was executed with an additional \$25,000 of deferred fees recorded. One agreement is in default as franchise operations were to commence prior to August 31, 2024. The remaining agreements call for franchisees to open initial operations prior to December 31, 2025, 2026, 2027 and 2028 respectively.

Deferred expenses are recorded for distinct preopening services in site selection, facilities preparation, training, supporting materials for operations, advisory and inspection services under practical expedient and recognized with franchise revenue in the period related to initial operation. Subject to the Company's approval and various conditions, a franchise may renew its agreement upon expiration, which is generally ten years after opening.

Royalty Fees

As part of its franchising agreement, royalties are payable monthly through the life of the agreement (generally ten years) ranging between 3% and 5% of net sales. The Company recognizes royalty fees consistent with ASC 606 under a five step process in which revenue is recognized at the date of the related sales in conjunction with the Company providing support under its performance obligation.

NOTE 6 – RELATED PARTIES

The Company has an intellectual property license from Blue Martini Founders, LLC (BMF), which permits the Company to license the Blue Martini intellectual property to franchisees under a royalty-free agreement. Due from affiliates includes \$15,429 at December 31, 2024 and 2023 for BMF's obligation to the Company for expenditures made on BMF's behalf. Additionally, the Company pays fees to a related entity (QSG) for management and consulting services performed on their behalf. The 2024 due from affiliates balance also includes an advance of \$20,000 made to QSG which is to be repaid or applied towards future services.

The Company is affiliated, through common ownership, with several Blue Martini Lifestyle Bars. These affiliates may periodically assist with the pre-opening training and orientation for individual outlets on behalf of the Company. Due to affiliates at December 31, 2024 and 2023 include \$4,288 to these entities for training services performed during 2020. In 2024 the Company extended a loan of \$10,500 to one outlet, which subsequently closed. That amount is considered to be uncollectible and is included as bad debt expense on the Statement of Operations for the year then ended.

BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE 7 – CONTINGENCY

Franchises may periodically be involved in litigation arising from the ordinary course of business. In April 2023, the Company was named as part of a dispute between the Atlanta franchise and an outside party. In December 2024, the matter was dismissed without prejudice and with the intent to refile in a different trial setting. No specific claim amount has been determined for the Company and the potential outcome of the matter is not presently determinable. However, management does not estimate that any potential claim will have a material effect on the financial position or results of operations of the Company. Other receivables include related legal fees of \$23,674 and \$20,313, as of December 31, 2024 and 2023, respectively, which are fully reimbursable by the franchisee per the franchise agreement.

**BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY**

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY

December 31, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Blue Martini Franchising, LLC
West Palm Beach, Florida

Opinion

We have audited the accompanying financial statements of Blue Martini Franchising, LLC which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and changes in total members' equity (deficit), and cash flows for the years ended December 31, 2023, 2022, and 2021 and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Blue Martini Franchising, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years ended December 31, 2023, 2022, and 2021 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Blue Martini Franchising, LLC 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 these 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Blue Martini Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 GAAS 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 in error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Blue Martini Franchising, LLC'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 financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Blue Martini Franchising, LLC'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.

Walker Ostrowski Williams

Deerfield Beach, Florida

April 29, 2024

BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY
BALANCE SHEETS

December 31, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Cash in Bank	\$ 55,291	\$ 46,383
Royalties Receivable	24,448	22,177
Prepaid Expenses	21,380	23,908
Deferred Expenses	27,657	12,500
Due from Affiliates	15,429	15,994
Other Receivables	20,313	-
TOTAL ASSETS	<u><u>\$ 164,518</u></u>	<u><u>\$ 120,962</u></u>

LIABILITIES AND MEMBERS' EQUITY (DEFICIT)

Liabilities:

Accounts Payable	\$ 13,083	\$ 8,464
Due to Affiliates	4,288	4,288
Deferred Franchise Fees	125,000	100,000
Due to Members	-	10,000
Total Liabilities	<u>142,371</u>	<u>122,752</u>

Members' Equity (Deficit)

Members' Capital Paid In	214,460	214,460
Accumulated Deficit	(192,313)	(216,250)
Total Members' Equity (Deficit)	<u>22,147</u>	<u>(1,790)</u>

TOTAL LIABILITIES AND MEMBERS'
EQUITY (DEFICIT)

<u><u>\$ 164,518</u></u>	<u><u>\$ 120,962</u></u>
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BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY
STATEMENT OF OPERATIONS AND CHANGES IN TOTAL MEMBERS' EQUITY (DEFICIT)

For the Years Ended December 31, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues:			
Franchise Fees	\$ 50,000.00	\$ -	\$ -
Royalty Fees	215,770	236,679	319,538
Other Income	<u>-</u>	<u>-</u>	<u>67,500</u>
Total Revenues	265,770	236,679	387,038
Expenses:			
Management and Consulting Fees	34,882	38,491	37,677
Professional Fees	102,941	76,321	48,998
Insurance	23,000	18,740	18,557
Office Expense	7,195	2,752	1,862
Marketing & Advertising	809	-	5,906
Travel & Entertainment	1,034	1,616	3,410
Other Franchisee Costs	<u>1,972</u>	<u>44</u>	<u>-</u>
Total Expenses	171,833	137,964	116,410
	93,937	98,715	270,628
Other Expense - Interest	<u>-</u>	<u>(229)</u>	<u>(5,318)</u>
Net Income (Loss)	93,937	98,486	265,310
Member's Equity (Deficit), beginning	(1,790)	(276)	(225,586)
Distributions	<u>(70,000)</u>	<u>(100,000)</u>	<u>(40,000.00)</u>
Members' Equity (Deficit), Ending	<u>\$ 22,147</u>	<u>\$ (1,790)</u>	<u>\$ (276)</u>

BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY

STATEMENTS OF CASH FLOW

For the Years Ended December 31, 2023, 2022 and 2021

Increase (Decrease) in Cash

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING</u>			
<u>ACTIVITIES:</u>			
Net Income (Loss)	\$ 93,937	\$ 98,486	\$ 265,310
Adjustments to Reconcile Net Income (Loss) to Net			
Cash Provided by (Used in) Operating Activities:			
(Increase) Decrease in Operating Assets:			
Royalties Receivable	(2,271)	(8,869)	(3,779)
Other Receivable	(20,313)	-	-
Prepaid Expenses	2,528	(1,212)	(3,251)
Due from Affiliates	565	-	-
Deferred Expenses	(15,158)	-	7,500
Increase (Decrease) in Operating Liabilities:			
Accounts Payable	4,619	(18,459)	12,963
Due to Affiliates	-	(35,805)	(7,511)
Deferred Franchise Fees	25,000	-	(50,000)
Other Liabilities	-	(100,000)	-
Due to Members	(10,000)	10,000	-
Net Cash Provided by (Used in) Operating Activities	<u>78,908</u>	<u>(55,859)</u>	<u>221,232</u>
<u>CASH FLOWS FROM FINANCING</u>			
<u>ACTIVITIES:</u>			
Members' Distributions	<u>(70,000)</u>	<u>(100,000)</u>	<u>(40,000)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(70,000)</u>	<u>(100,000)</u>	<u>(40,000)</u>
Increase(Decrease) in Cash	8,908	(155,859)	181,232
Cash, Beginning	46,383	202,242	21,010
Cash, Ending	<u>\$ 55,291</u>	<u>\$ 46,383</u>	<u>\$ 202,242</u>
Supplemental Information			
Interest Paid	<u>\$ -</u>	<u>\$ 13,520</u>	<u>\$ -</u>

**BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 1 – ORGANIZATION

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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

Initial developer and franchise fees are received concurrently with the signing of the developer or franchise agreement. Fees received in connection with an executed franchise agreement are recognized upon completion of the franchisor services connected to the commencement of operations of the franchise location. Subsequent revenue received from royalties is anticipated to cover costs of support and use of the license for intellectual property.

Deferred developer and franchise fees are recorded for fees collected but not earned. Deferred expenses are recorded for sales commissions and costs directly related to services provided under the initial area developer and franchise fee agreements. Pre-opening services are recognized as a single performance obligation and are expensed when the related fees are recognized as income.

Marketing and advertising costs are recognized when the event takes place or the advertising is published, except for direct costs incurred for a new franchise opening which are expensed as described above.

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

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

**BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023 and 2022

Note 3 – MEMBERS' EQUITY

Pursuant to the terms of the Operating Agreement dated in 2014, membership interest was divided among the founding members. These members contributed capital in proportion to their membership shares of an aggregate of \$214,460 through December 31, 2023. Members' distributions are based upon taxable income.

NOTE 4 – FRANCHISING

Franchise Fees

The Company executes franchise agreements which require the payment of an initial, nonrefundable fee of \$25,000 per outlet, (including developers intending to purchase additional franchises) to be applied as a credit towards the total franchise fee of \$50,000 per outlet. During 2023 an existing Blue Martini lounge under ownership by an affiliated entity, was sold to an outside party who agreed to operate as a franchise location. The related \$50,000 franchise fee for this location was recognized in 2023.

At December 31, 2022 the Company recorded deferred franchise fees aggregating \$100,000 under three agreements covering four outlets. In 2023 a fourth agreement for an additional outlet was executed with an additional \$25,000 of deferred fees recorded. The related agreements call for franchisees to open initial operations prior to August 31, 2024, December 31, 2025, 2026, 2027 and 2028 respectively. During 2021, a developer forfeited fees for failure to open three outlets with \$75,000, net of \$7,500 in related costs, included in other income for the year then ended.

The Company provides distinct preopening services in site selection, facilities preparation, training, supporting materials for operations, advisory and inspection services under practical expedient and recognizes franchise revenue in the period related to initial operation. Subject to the Company's approval and various conditions, a franchise may renew its agreement upon expiration, which is generally ten years after opening.

Royalty Fees

As part of its franchising agreement, royalties are payable monthly through the life of the agreement (generally ten years) based on 3% and 5% of net sales. The Company recognizes royalty fees consistent with ASC 606 under a five step process in which revenue is recognized at the date of the related sales in conjunction with the Company providing services under its performance obligation.

**BLUE MARTINI FRANCHISING, LLC
A LIMITED LIABILITY COMPANY**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023 and 2022

NOTE 5 – RELATED PARTIES

The Company has an intellectual property license from Blue Martini Founders, LLC (BMF), which permits the Company to license the Blue Martini intellectual property to franchisees under a royalty-free agreement. Due from affiliates includes \$15,429 at December 31, 2023 and 2022 for BMF's obligation to the Company for expenditures made on BMF's behalf.

The Company is affiliated, through common ownership, with several Blue Martini Lifestyle Bars. These affiliates may periodically assist with the pre-opening training and orientation for individual outlets on behalf of the Company. Due to affiliates at December 31, 2023 and 2022 includes \$4,288 to these entities for training services performed during 2020.

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

NOTE 6 – CONTINGENCY

Franchises may periodically be involved in litigation procedures arising from the ordinary course of business. In May 2023, the Company was named as part of a dispute between the Atlanta franchise and an outside party. No specific claim amount has been determined for the Company and the potential outcome of the matter is not presently determinable. However, management does not estimate that any potential claim will have a material effect on the financial position or results of operations of the Company. Other receivables include related legal fees of \$20,315, which are fully reimbursable by the franchisee per the franchise agreement.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 29, 2024, the date the statements were available for issuance.

BLUE MARTINI

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

Topic	Number of Pages
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SECTION E: MANAGEMENT Blue Martini Management Philosophy Daily Routines Running Responsibilities Happy Hour Transition Late Night The Watch List Closing Management Responsibilities Organizing your Management Activities Managing Personnel Managing the Guest Experience	48
SECTION F: COST Inventory Management Cost Controls Loss Prevention Operational & Financial Reporting Franchise Reporting Requirements	26
SECTION G: MAINTENANCE Cleaning and Maintenance Equipment Care	14
SECTION H: MARKETING Marketing Plan Advertising Media Holiday Decorations Logo and Signage Specifications Using the Blue Martini Marks Required Advertising Expenditures Public Relations Community Involvement Filming/Photography Requests at Blue Martini Obtaining Advertising Approval	38
APPENDICES Approved Suppliers Beverage Design and Build-Out Equipment and Inventory	90

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

BLUE MARTINI

**EXHIBIT H: STATE FRANCHISE ADMINISTRATORS
AND AGENTS FOR SERVICE OF PROCESS**

**STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

California:

Department of Financial Protection & Innovation
320 W. 4th St., Ste. 750
Los Angeles, CA 90013-2344
(213) 576-7500 or (866) 275-2677

Hawaii:

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

Illinois:

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

Indiana:

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

Maryland:

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

Michigan:

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

Minnesota:

Commissioner of Commerce
85 7th Pl. E., Ste. 280
Saint Paul, MN 55101-3165
(651) 539-1600

New York:

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

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

North Dakota:

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

Washington:

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

Rhode Island:

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

Wisconsin:

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

South Dakota:

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

Virginia:

BLUE MARTINI

EXHIBIT I: MULTI-STATE ADDENDA

**ADDENDUM TO THE DISCLOSURE DOCUMENT
AND FRANCHISE AGREEMENT REQUIRED BY THE STATE OF CALIFORNIA**

Notwithstanding anything to the contrary set forth in the Disclosure Document or the Franchise Agreement, the following provisions shall supersede and apply to all franchises offered and sold in the State of California:

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF BUSINESS OVERSIGHT NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT. 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 FRANCHISE DISCLOSURE DOCUMENT.

Item 3 Shall be amended to include the following “Neither Franchisor nor any person identified in Item 2 of the Franchise 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 the persons from membership in that association or exchange.”

YOU MUST SIGN A GENERAL RELEASE OF CLAIMS IF YOU TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER BY THE PERSON ACQUIRING A FRANCHISE OF CERTAIN RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE §§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF CERTAIN RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

Item 17 shall be amended to include the following:

1. California Business and Professions Code Sections 20000 through 20043 provides rights to the franchisee concerning termination and non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
2. 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.).

3. The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise relationship; this provision may not be enforceable under California law.

4. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

5. The Franchise Agreement requires application of the laws of the State of Florida. This provision may not be enforceable under California law.

Franchisee

Blue Martini Franchising, LLC

**ADDENDUM TO THE DISCLOSURE DOCUMENT
AND FRANCHISE AGREEMENT REQUIRED BY THE STATE OF HAWAII**

Notwithstanding anything to the contrary set forth in the Disclosure Document or the Franchise Agreement, the following provisions shall supersede and apply to all franchises offered and sold in the State of Hawaii:

These franchises will be filed under the Franchise Investment Law of the State of Hawaii. Filing does not constitute approval, recommendation, or endorsement by the Director of Commerce and Consumer Affairs or a finding by the Director of Commerce and Consumer Affairs that the information provided herein is true, complete, and not misleading.

The Franchise Investment Law makes it unlawful to offer or sell any franchise in this state without first providing to the prospective franchisee, or sub-franchisor, 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 sub-franchisor, whichever, occurs first, a copy of the Disclosure Document, together with a copy of all proposed agreements relating to the sale of the franchise.

The Disclosure Document contains a summary of only certain material provisions of the Franchise Agreement. The contract or agreement should be referred to for a statement of rights, conditions, restrictions, and obligations of both the franchisor and the franchisee.

A Federal Trade Commission rule makes it unlawful to offer or sell any franchise without (1) providing this Disclosure Document to the prospective Franchisee or related agreement; or (2) fourteen (14) calendar days before any payment. The prospective franchisee must also receive a Franchise Agreement containing all material terms at least seven (7) calendar days prior to signing the Franchise Agreement.

If this Disclosure Document is not delivered on time or if it contains a false, incomplete, inaccurate, or misleading statement, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and to Hawaii Department of Commerce and Consumer Affairs which administers and enforces the Hawaii Franchise Disclosure Act.

Registered agent in the state authorized to receive service of process:

Department of Commerce and Consumer Affairs
Business Registration Division
Commissioner of Securities
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

The following paragraph is added to Item 17:

1. Section 482E-6(3) of the Hawaii Revised Statutes provides that upon termination or refusal to renew the Franchise Agreement, Blue Martini Franchising, LLC is obligated to compensate you for the fair market value, at the time of the termination or expiration of the Franchise Agreement, of your inventory, supplies, equipment and furnishings purchased from Blue Martini Franchising, LLC or a supplier designated by Blue Martini Franchising, LLC; provided that personalized materials which have no value to us need not be compensated for. If we refuse to renew a Franchise Agreement for the purpose of converting your business to one owned and operated by Blue Martini Franchising, LLC in addition to the remedies provided above, we shall compensate you for the loss of goodwill. Blue Martini Franchising, LLC may deduct from such compensation reasonable costs incurred in removing, transporting, and disposing of your inventory, supplies, equipment, and furnishings pursuant to this requirement, and may offset from such compensation any monies due to Blue Martini Franchising, LLC.

2. The following list reflects the status of franchise registration of the Franchisor in the states which require registration:

- a. The states in which this proposed registration is effective: None.
- b. The states in which this proposed registration is or will be shortly filed: California, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, Wisconsin.
- c. The states, if any, which have refused, by order or otherwise, to register these franchises: None.
- d. The states, if any, which have revoked or suspended the right to offer these franchises: None.
- e. The states, if any, in which the proposed registration of these franchisees has been withdrawn by the Franchisor: None.

3. Section 482E-3(a) of the Hawaii Franchise Investment Law requires the Franchisor to give you a copy of the Franchise Disclosure Document at least seven (7) calendar days prior to signing the franchise agreement. The Receipt is amended to reflect a seven (7) calendar-day waiting period.

Franchisee

Blue Martini Franchising, LLC

**ADDENDUM TO THE DISCLOSURE DOCUMENT, AREA DEVELOPMENT AGREEMENT,
AND FRANCHISE AGREEMENT REQUIRED BY THE STATE OF ILLINOIS**

Notwithstanding anything to the contrary set forth in the Disclosure Document or the Franchise Agreement, the following provisions shall supersede and apply to all franchises offered and sold in the State of Illinois:

Illinois law shall apply to and govern 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.

Franchisees' right upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connect with the franchise.

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.

Franchisee

Blue Martini Franchising, LLC

**ADDENDUM TO THE DISCLOSURE DOCUMENT
AND FRANCHISE AGREEMENT REQUIRED BY THE STATE OF INDIANA**

Notwithstanding anything to the contrary set forth in the Disclosure Document or the Franchise Agreement, the following provisions shall supersede and apply to all franchises offered and sold in the State of Indiana:

1. Item 17.c may be modified by Indiana Code § 23-2-2.7.
2. The Summary in Item 17(r) is deleted and replaced with the following Summary:

For one year after the termination of your Franchise Agreement, you may not establish a similar type of business within your exclusive territory.

3. Item 17.t is supplemented with the following language:

However, you do not waive any rights under the Indiana Statutes with regard to prior representations made by Blue Martini Franchising, LLC in the Disclosure Document.

4. Items 17.v and 17.w are supplemented with the following language:

Except that under Indiana law, you may have the right to bring an action in Indiana and have Indiana law apply.

5. The Indiana Deceptive Franchise Practices Act, IC 23-2-2.7-1 (10) prohibits the limitation of litigation brought for breach of a Franchise Agreement including any limitation on the forum chosen. Any provision in the Franchise Agreement, specifying a forum contrary to Indiana law, shall not apply to any claims brought under the Indiana Deceptive Franchise Practices Act and/or the Indiana Franchise Act, Ind. Code ANN. §§ 1-51 (1994).

6. The Indiana Deceptive Franchise Practices Act, IC 23-2-2.7-1 (10) prohibits the limitation of litigation brought for breach of a Franchise Agreement. Any provision in the Franchise Agreement requiring the application of another state's law shall not apply to any claims brought under the Indiana Deceptive Franchise Practices Act and/or the Indiana Franchise Act, Ind. Code ANN. §§ 1- 51 (1994).

7. Indiana Code § 23-2-2.5-9 (2) requires a franchisor to give you a copy of the Franchise Disclosure Document at the earlier of: (i) 10 days prior to signing the franchise agreement; or (ii) 10 days prior to franchisor's receipt of any consideration. The Receipt is amended to reflect the 10-day waiting period.

Franchisee

Blue Martini Franchising, LLC

**ADDENDUM TO DISCLOSURE DOCUMENT
AND FRANCHISE AGREEMENT REQUIRED BY THE STATE OF MARYLAND**

Notwithstanding anything to the contrary set forth in the Disclosure Document or the Franchise Agreement, the following provisions shall supersede and apply to all franchises offered and sold in the State of Maryland:

Pursuant to the Maryland Franchise Registration and Disclosure Law, COMAR 02.02.08.16L, Item 17 of the Franchise Disclosure Document and Sections II, XII, XIV of the Franchise Agreement, are amended to include the following “any general release required as a condition of sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

Section II (Term and Renewal) of the Franchise Agreement is amended to include “Pursuant to COMAR 02.02.0216L, the general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

Item 17 of the Franchise Disclosure Document is amended to add the following “The provision in the Franchise Agreement that provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C Section 1010, et. seq.).”

If you are a resident of Maryland or your franchise will be in Maryland, you will not pay your initial franchise fee or any other money to us until your business is open and we have completed all of our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Section VII of the Franchise Agreement are amended accordingly.

Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient capital and/or funds available at the time we sign a Franchise Agreement. The only condition on your obligation to pay the Franchise Fee is that we must complete all of our material pre-opening obligations to you.

Item 17 of the Franchise Disclosure Document and Section XVI of the Franchise Agreement are amended to include the following “any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

Section XVI of the Franchise Agreement is amended to provide as follows “Any lawsuit permitted under this Article shall be brought in the federal or state courts located in the State of Maryland.” Item 17 is hereby amended to incorporate this provision in the “summary” column of Section V.

The Franchise Agreement and Franchise Disclosure Document shall be deemed amended so that no release, assignment, novation, waiver, or estoppel is required if it would violate the Maryland Franchise Registration and Disclosure Law. Nothing in the franchise agreement, including any acknowledgments or representations, shall be deemed a release or waiver of any right or obligation under the Maryland Franchise Registration and Disclosure Law.

Franchisee

Blue Martini Franchising, LLC

**ADDENDUM TO THE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF MINNESOTA**

Notwithstanding anything to the contrary set forth in the Disclosure Document or the Franchise Agreement, the following provisions shall supersede and apply to all franchises offered and sold in the State of Minnesota:

Minnesota Statute 80C.21 and Minnesota Rule 2860.4400(J) 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 notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the Franchisee's rights as provided for in Minnesota Statute 80C or (2) Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

With respect to franchises governed by Minnesota law, the Franchisor will comply with Minnesota Statute 80C.14 Subd. 3-5, which requires (except in certain specified cases) that a Franchisee be given 90 days' notice of termination (with 60 days to cure) 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.

Minnesota considers it unfair to not protect the Franchisee's right to use the trademarks. Refer to Minnesota Statute 80C.12 Subd. 1(G). The Franchisor will protect the Franchisee's rights 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.

Minnesota Rules 2860.4400(D) prohibits a Franchisor from requiring a Franchisee to assent to a general release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes.

IN WITNESS WHEREOF, the Parties have executed this Amendment to the Franchise Agreement on the same day that the Franchise Agreement was executed.

Franchisee

Blue Martini Franchising, LLC

**ADDENDUM TO THE DISCLOSURE DOCUMENT
AND FRANCHISE AGREEMENT REQUIRED BY THE STATE OF NEW YORK**

Notwithstanding anything to the contrary set forth in the Disclosure Document or the Franchise Agreement, the following provisions shall supersede and apply to all franchises offered and sold in the State of New York:

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT L OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade

regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, and Item 17(w), titled **“Choice of law”**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

Franchisee

Blue Martini Franchising, LLC

ADDENDUM TO THE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE STATE OF NORTH DAKOTA

Notwithstanding anything to the contrary set forth in the Disclosure Document or the Franchise Agreement, the following provisions shall supersede and apply to all franchises offered and sold in the State of North Dakota:

THE SECURITIES COMMISSIONER OF THE STATE OF NORTH DAKOTA HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST, OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES, PURSUANT TO SECTION 51-19-09 (I) OF N.D.C.C.:

1. Restrictive Covenants: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to NDCC Section 9-08-06 without further disclosing such covenants will be subject to the statute.
2. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.
3. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
4. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
5. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.
6. Waiver of Trial by Jury: Requiring North Dakota Franchisees to consent to the waiver of a trial by jury.
7. Waiver of Exemplary & Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.
8. General Release: Franchise agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.
9. Limitation of Claims: Franchise agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
10. Enforcement of Agreement: Franchise agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

For North Dakota Franchisees, Item 17 of Disclosure Document and the Franchise Agreement are amended in accordance with the requirements of the North Dakota Century Code as set forth in this Addendum.

Franchisee

Blue Martini Franchising, LLC

**ADDENDUM TO THE DISCLOSURE DOCUMENT
AND FRANCHISE AGREEMENT REQUIRED BY THE STATE OF RHODE ISLAND**

Notwithstanding anything to the contrary set forth in the Disclosure Document or the Franchise Agreement, the following provisions shall supersede and apply to all franchises offered and sold in the State of Rhode Island:

The following language is added to the end of the “Summary” sections of Item 17(v) of the Franchise Disclosure Document, entitled “Choice of forum,” and Item 17(w) of the Franchise Disclosure Document, entitled “Choice of law”:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

Franchisee

Blue Martini Franchising, LLC

**ADDENDUM TO THE DISCLOSURE DOCUMENT
AND FRANCHISE AGREEMENT REQUIRED BY THE STATE OF VIRGINIA**

Notwithstanding anything to the contrary set forth in the Disclosure Document or the Franchise Agreement, the following provisions shall supersede and apply to all franchises offered and sold in the State of Virginia:

The following language is added to the end of the “Summary” section of Item 17(e) of the Disclosure Document, entitled “Termination by franchisor without cause”:

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 ground 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.

Franchisee

Blue Martini Franchising, LLC

**ADDENDUM TO THE DISCLOSURE DOCUMENT
AND FRANCHISE AGREEMENT REQUIRED BY THE STATE OF WASHINGTON**

Notwithstanding anything to the contrary set forth in the Disclosure Document or the Franchise Agreement, the following provisions shall supersede and apply to all franchises offered and sold in the State of Washington:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Franchise Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii)

soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.

The undersigned does hereby acknowledge receipt of this addendum.

Franchisee

Blue Martini Franchising, LLC

EXHIBIT J

STATE EFFECTIVE DATES AND RECEIPTS

STATE EFFECTIVE DATES

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

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

STATE	EFFECTIVE DATE
California	Not registered
Hawaii	Not registered
Illinois	Pending
Indiana	Not registered
Maryland	Not registered
Michigan	Not registered
Minnesota	Not registered
New York	Not registered
North Dakota	Not registered
Rhode Island	Not registered
South Dakota	Not registered
Virginia	Not registered
Washington	Not registered
Wisconsin	Not registered

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.

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If Blue Martini Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Blue Martini Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580.

We have no franchise brokers. The name, address, and telephone number of the franchise seller for this offering is William Herman, who works for Blue Martini Franchising, LLC, 2465 Mercer Avenue, Suite 302, West Palm Beach, Florida 33401. Any additional individual franchise sellers involved in offering the franchise

are: _____.

Date of Issuance: **April 29, 2025.**

Blue Martini Franchising, LLC authorizes the person identified in Item 1 and Exhibit H to receive service of process for it in your state. I received a disclosure document dated April 29, 2025, that included the following Exhibits:

EXHIBIT A: FRANCHISE AGREEMENT

EXHIBIT B: AREA DEVELOPMENT AGREEMENT

EXHIBIT C: LEASE RIDER ADDENDUM TO FRANCHISE AGREEMENT

EXHIBIT D: LIST OF FRANCHISE OUTLETS

EXHIBIT E: LIST OF TERMINATED FRANCHISEES

EXHIBIT F: FINANCIAL STATEMENTS

EXHIBIT G: OPERATIONS MANUAL TABLE OF CONTENTS

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

EXHIBIT I: MULTI-STATE ADDENDA

EXHIBIT J: STATE EFFECTIVE DATES AND RECEIPTS

DATED: _____

(Do not leave blank)

If a business entity:

If an individual:

(Name of Business Entity)

(Signature of Prospective Franchisee)

(Signature of Primary Contact Owner)

(Print Name)

(Print Name and Title)

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

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If Blue Martini Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Blue Martini Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580.

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EXHIBIT J: STATE EFFECTIVE DATES AND RECEIPTS

DATED: _____

(Do not leave blank)

If a business entity: _____

If an individual: _____

(Name of Business Entity)

(Signature of Prospective Franchisee)

(Signature of Primary Contact Owner)

(Print Name)

(Print Name and Title)

Please date and sign this page, and then return it to Blue Martini Franchising, LLC, either by mail to Amy Liga, 2465 Mercer Avenue, Suite 302, West Palm Beach, Florida 33401 or by e-mail to amy@bluemartini.com.