# FRANCHISE DISCLOSURE DOCUMENT

KINGS ROAD COFFEE

ESTABLISHED 1990

**KINGS ROAD FRANCHISING LLC**
**(a Colorado limited liability company)**
**4014 S. Lemay Ave. #26**
**Fort Collins, CO 80525**
**Telephone: 213-361-0335**
**E-mail: lawrencecasperson@yahoo.com**
**www.kingsroadfranchising.com**
**www.kingsroadcoffee.com**

Kings Road Franchising LLC, a Colorado limited liability company, is offering franchises for the operation of neighborhood style coffee shop featuring Kings Road's special blends of coffees, espresso drinks, teas and related drinks, and a limited menu of easy-to-prepare breakfast and lunch items.

The total estimated investment necessary to begin operation of a KINGS ROAD Espresso Bar franchise ranges from $185,500 to $315,000. This includes between $51,000 to $52,000 that must be paid to the franchisor or affiliates. See Items 5 and 7. We also grant to qualified persons rights to a specific geographic area in which to develop a predetermined number of KINGS ROAD Espresso Bars under a Multi-Unit Development Agreement. If you sign a Multi-Unit Development Agreement, in addition to payment of the initial franchise fee for the first KINGS ROAD Espresso Bar, you pay a Development Fee of $15,000 for each additional KINGS ROAD Espresso Bar to be developed, which is later applied to the initial franchise fees due for the additional KINGS ROAD Espresso Bar.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Marc Geman at 2111 South Trenton Way, Unit 101, Denver, Colorado or 303-810-1212.

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

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

**ISSUANCE DATE: March 14, 2018**

**FOR USE IN: AL, AK, AZ, AR, CA, CO, DE, DC, ID, IA, KS, KY, MA, MS, MO, MT, NV, NH, NJ, NM, OH, OK, OR, PA, TN, TX, VT, WV, WY, and U.S. TERRITORIES.**

**NOT FOR USE IN: CT, GA, FL, HI, IL, IN, LA, ME, MD, MI, MN, NE, NY, NC, ND, RI, SC, SD, UT, VA, WA, and WI.**

## STATE COVER PAGE

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

Call the state franchise administrator listed in Exhibit K for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. **THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION OR LITIGATION ONLY IN COLORADO. OUT-OF-STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH US IN COLORADO THAN IN YOUR OWN STATE.**

2. **THE FRANCHISE AGREEMENT STATES THAT COLORADO LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.**

3. **THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.**

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

The effective dates of this Disclosure Document in the states with registration laws are:

CA: _______________

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## EXHIBITS

## ITEM 1

## THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

**The Franchisor**

The name of the franchisor is Kings Road Franchising LLC. Kings Road Franchising LLC will be referred to as "**we**," "**us**," "**our**" or "**Kings Road**" in this Disclosure Document. We will refer to the person who buys the franchise as "**you**" or "**your**" throughout this Disclosure Document. If the franchisee is a corporation, partnership or limited liability company, certain provisions of the Franchise Agreement and Multi-Unit Development Agreement will also apply to the owners and will be noted.

We were formed on September 13, 2017, as a Colorado limited liability company. Our principal offices are located at 4014 South Lemay Ave., #26, Fort Collins, Colorado 80525. We currently do business under our limited liability company name and the trade name "Kings Road Coffee." Our agents for service of process are listed on Exhibit K.

**Parents, Predecessors and Affiliates**

Since 1990, our founder and CEO, Lawrence Casperson, CEO, through an entity he owns called Kings Road Espresso Bar/Cafe, Inc., a California corporation formed on July 31, 1990 ("**KRC**"), has continually operated a neighborhood coffee café offering special blends of coffees, espresso drinks, teas, wine, beer and related drinks, soups, salads, pizza and sandwiches under the name Kings Road Cafe ("**KR Cafe**") in Los Angeles, California. KRC's principal place of business is located at 8361 Beverly Boulevard, Los Angeles, California 90048. The signature item of the KR Cafe is the special blend of coffee known as Kings Road, which KRC serves at the Café. Kings Road brand of coffee will be the signature item of the Kings Road Espresso Bar franchised under this Disclosure Document.

Many of the concepts, business format, systems, methods, procedures, and operational standards and specifications used as part of the Licensed Methods in a KINGS ROAD Espresso Bar to be franchised under this Disclosure Document were developed by Mr. Casperson and KRC. A KINGS ROAD Espresso Bar operated by you, however, will not be the same as the KR Cafe operated by KRC.

KRC will supply certain products for easy-to-prepare breakfast and lunch items that will be served in a KINGS ROAD Espresso Bar. Heirloom 926, Limited, a California corporation formed on February 11, 2011 ("**Heirloom**"), another company owned by Mr. Casperson, distributes the Kings Road Coffee to the public through online and retail sale, and will supply the coffee products used in a KINGS ROAD Espresso Bar. Heirloom maintains its principal place of business at 740 Front Street, Suite 200, Santa Cruz, California 95060.

Mr. Casperson and KRC are predecessors of ours. KRC and Heirloom are deemed affiliates of ours. We do not have a parent company.

**The Franchise**

We currently franchise the operation of neighborhood style coffee shops ("**KINGS ROAD Espresso Bars**" or "**Espresso Bars**") featuring our special blends of coffees, espresso drinks, teas and related drinks, with a limited menu of easy-to-prepare breakfast and lunch items. KINGS ROAD Espresso Bars operate using our distinctive recipes and ingredients, business format, systems, methods, procedures, designs, layouts, advertising and operational standards and specifications ("**Licensed Methods**"). We franchise the operation of KINGS ROAD Espresso Bars under our licensed service mark "KINGS ROAD COFFEE$^{SM}$" and related logos, trademarks, service marks and commercial symbols ("**Marks**").

A Franchise Agreement ("**Franchise Agreement**") which is attached as Exhibit A to this Disclosure Document, is signed for each Espresso Bar. You will receive the right to use our Marks and Licensed Methods in the operation of your Espresso Bar.

Your KINGS ROAD Espresso Bar will be located at a location you select and we approve, usually in leased space, including free standing locations, in shopping malls, strip malls or alternative facilities ("**Franchised Location**"). KINGS ROAD Espresso Bars are typically less than 1,000 square feet in size.

KINGS ROAD Espresso Bars have standardized menus, featuring limited breakfast and lunch menu items and Kings Road brand coffee and coffee drinks developed by our predecessors.

If you qualify, we may grant you the right to enter into a Multi-Unit Development Agreement ("**Development Agreement**") to develop an agreed upon number of Espresso Bars within a specific geographic territory according to a development schedule ("**Development Schedule**"). The form of Development Agreement you will sign is attached as Exhibit B to this Disclosure Document. Your obligation to develop and operate franchises may be satisfied by you or by an entity owned by you or your owners ("**Approved Affiliate**"). For each Espresso Bar developed under the Development Agreement, you will sign a separate franchise agreement, which may be different than the form of Franchise Agreement attached to this Disclosure Document.

**Regulations**

The food and drink service industry is highly regulated. You must investigate and comply with all local, state and federal health and sanitation laws and safety standards relating to food handling and preparation, and the sale of food. You will need to understand and comply with those laws in operating your KINGS ROAD Espresso Bar franchise. You should also familiarize yourself with other federal, state or local laws of a more general nature which affect the operation of your KINGS ROAD Espresso Bar. In addition, franchisees must comply with all other laws which affect the operation of an Espresso Bar, including employment, worker's compensation, business entities, insurance, corporate, taxing, licensing, zoning, and similar laws and regulations. You should consult with an attorney regarding state and local laws, rules, and regulations that may affect the operation of your KINGS ROAD Espresso Bar at your particular location.

**Market and Competition**

The market for KINGS ROAD Espresso Bars is the general public, including people of all ages. The market for coffee is rapidly growing and is increasingly competitive. The coffee and food service industries are recognized, established and popular market segments. You will encounter competition from other coffee and breakfast and lunch establishments, as well as bakeries, coffee and tea shops, and other shops that sell coffee and tea drinks and serve breakfast and lunch items. You may even experience competition from other KINGS ROAD Espresso Bars within the same market area as your Espresso Bar. Some of your competitors may be in close proximity to your Espresso Bar and may have greater financial resources, larger advertising budgets and varying degrees of national or local recognition. The market for a KINGS ROAD Espresso Bar is typically not seasonal.

This market is also highly competitive as to price, service and quality. Your ability to compete in this market will be largely dependent on your capabilities, general economic conditions, geographic area, and use of financial and management procedures that are consistent among all KINGS ROAD Espresso Bar franchises. Changes in taste and eating habits of the public, local and national economic conditions affecting spending habits, population, and traffic patterns may affect the KINGS ROAD Espresso Bar business and are generally unpredictable.

**<u>Our Prior Business Experience</u>**

Our predecessor and affiliate, KRC, has owned and operated the KR Cafe mentioned above in Los Angeles, California under the name Kings Road Cafe since 1990. While this KR Cafe is similar to an Espresso Bar, it offers a more extensive food and drink menu than the one developed for KINGS ROAD Espresso Bars, but has many similar food and drink items and has all the Kings Road branded coffee drinks to be offered by the franchises.

We commenced offering franchises for KINGS ROAD Espresso Bars in 2018. As of the date of this Disclosure Document, we do not operate any KINGS ROAD Espresso Bars of the type to be operated by you. Neither we nor our affiliates have offered franchises in any other lines of business.

## ITEM 2

## BUSINESS EXPERIENCE

**<u>Chief Executive Officer and Manager: Lawrence Casperson</u>**

Lawrence Casperson has been our CEO and sole Manager since our inception in 2017. He is also the President, CEO and sole director of KRC, positions he has held since KRC's inception in 1990, which has continuously served the KINGS ROAD signature coffee, and breakfast and lunch items since its formation through the KR Cafe. Mr. Casperson has also served as the President, CEO and sole director of Heirloom since its inception in February 2011. Mr. Casperson has been in the restaurant business his entire adult life starting in San Francisco and currently through the establishment and operation of the KR Cafe in Los Angeles.

**<u>Consulting Chef: Wendy Brucker</u>**

Wendy Brucker has been our Consulting Chef since our inception. She also serves as a Consulting Chef for KRC, a position she has held since its inception. Since 1994, Ms. Brucker has served as the Executive Chef and co-owner of Rivoli, an upscale American style restaurant, and Corso, an Italian cuisine style restaurant, both located in Berkeley, California.

**<u>Consulting Financial Advisor: Aaron Maxwell</u>**

Aaron Maxwell has been our Consulting Financial Advisor since our inception. He has also served as the Consulting Financial Advisor for KRC since 2010. Mr. Maxwell has spent over 20 years working with numerous businesses in the restaurant hospitality and service industry in his family's business, Independent Tax & Accounting Services, located in Gardena, California.

## ITEM 3
## LITIGATION

No litigation is required to be disclosed in this Item.

## ITEM 4
## BANKRUPTCY

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

## ITEM 5
## INITIAL FEES

**Franchise Agreement**

When you sign the Franchise Agreement for your first KINGS ROAD Espresso Bar you will pay an initial franchise fee (the "**Initial Franchise Fee**") of $50,000, payable on the date you sign the Franchise Agreement. If you enter into a Development Agreement, the initial franchise fee for the second and each subsequent under it is reduced to $40,000, as discussed more fully below. Franchisees in Institutional Facilities, as defined in Item 12, may pay a different initial fee or no fee.

You will also pay us between $1,000 and $2,000 for an opening inventory of products and ingredients, and cooking and serving supplies before your Espresso Bar opens.

**Multi-Unit Development Agreement**

If you qualify and choose to purchase a development area, you will execute a Development Agreement at the same time you will sign the Franchise Agreement for the first KINGS ROAD Espresso Bar to be developed. You will pay the Initial Franchise Fee for the first Espresso Bar of $50,000 as described above, with the Initial Franchise Fee for each additional Espresso Bar being reduced to $40,000. Under the Development Agreement, you will also pay a development fee equal to $15,000 times the number of additional Espresso Bars to be developed under the Development Agreement (the "**Development Fee**"). The $15,000 portion of the Development Fee paid for each of the second and subsequent Espresso Bars to be developed is credited toward the Initial Franchise Fee to be paid for that additional Espresso Bar. The balance of each Initial Franchise Fee for the additional Espresso Bars to be developed under the Development Agreement is due in upon execution of the Franchise Agreement for that Espresso Bar. In no case shall the payments of the balance be due later than the dates set forth in the Development Agreement that correspond to the deadlines for signing the Franchise Agreement related to, and opening of, that Espresso Bar.

For each KINGS ROAD Espresso Bar opened under a Development Agreement, you will also pay us between $1,000 and $2,000 for an opening inventory of recipe ingredients and cooking and serving supplies before the Espresso Bar opens.

All initial fees, once paid, are nonrefundable. Except as may be described in this Item 5, all franchisees currently acquiring a franchise pay the same franchise fees.

## ITEM 6

## OTHER FEES

| Type of Fee[1] | Amount | Due Date | Remarks |
|---|---|---|---|
| Royalty Fee[2] | 5% of Gross Sales | Payable on the 10th day of the calendar month with respect to Gross Sales in the prior month | Royalty Fee payments begin in the third month after the Espresso Bar opens for business; Gross Sales include all sales made in the Espresso Bar (including off-premises sales), whether collected or not, but do not include sales tax or refunds or credits. Payable by electronic transfer of funds from your bank account. |
| Marketing and Technology Fee[2] | Currently none, but once established, 2% of Gross Sales | Payable with the Royalty Fee or as determined by us | We reserve the right to impose this fee at any time after there are five Espresso Bar franchisees in the system. We may reallocate all or a portion of this fee to a Co-Op for local or regional advertising if one is established in your region. |
| Interest and Late Charges[2] | Lesser of 1.5% per month or highest rate of interest allowed by law, plus a $25 late charge | Late charge automatically assessed; interest on demand | Begins to accrue the day after payments or reports are due. |
| Costs of Inspection and Audit[2] | Varies | 15 days after receipt of our notice to you | Payable only if you do not submit reports to us, reports are untimely for two or more consecutive reporting periods, you do not cooperate in performance of the inspection and audit, or you fail to correct deficiencies after notification from us. |

| Type of Fee[1] | Amount | Due Date | Remarks |
|---|---|---|---|
| Transfer Fee[2] | 20% of the then current Initial Franchise Fee for a first franchise or $10,000, whichever is greater. In addition, we reserve the right to charge $2,500 per person for training the transferee. If you transfer rights under a Development Agreement, you also pay a $5,000 transfer fee for each undeveloped franchise right | Before effectiveness of transfer | Payable when the Franchise Agreement, Development Agreement, or interest in the Espresso Bar or in the franchise is transferred by you. The transferee is charged no Initial Franchise Fee. |
| Successor Franchise Fee[2] | 20% of the then current Initial Franchise Fee for a first franchise or $10,000, whichever is greater | When you sign the then current Franchise Agreement | Payable if you opt for and qualify for a successor franchise at the end of the initial term. |
| Training Program Expenses[3, 5] | Travel and living costs associated with attending mandatory training sessions | As incurred | Initial training is included as a part of your Initial Franchise Fee, except for those expenses paid to other parties. We may require additional training at other times at your expense. See Item 11. |
| Additional Initial Training and Other Training[2] | Current published rates, currently $2,500 per person for additional initial training. Other training costs will vary | Before training | Up to two persons can attend our initial training program without a charge. Payable only if you request additional persons attend the initial training program, hire a new Espresso Bar Certified Manager or you or your Certified Manager fails to attend other seminars or conventions as we may require. See Item 11. |
| Inventory Purchases[2, 4] | Then current published prices | As incurred | You must purchase designated inventory from us or our designated or approved supplier. |
| Costs and Attorneys' Fees[2] | Will vary depending on nature of your default or the claim brought | As incurred | Payable if we are successful in a legal action. |

| Type of Fee[1] | Amount | Due Date | Remarks |
|---|---|---|---|
| Indemnification Under Franchise Agreement[2] | Will vary depending on nature of the claim against us | As incurred | You have to reimburse us if we are held liable for claims resulting from your Espresso Bar operations. |
| Insurance Premiums[5] | Will vary depending on your location and insurer | As incurred | If you do not pay your premiums, although we do not have to, we can pay them for you and you must reimburse us. |
| Cost of Product Testing and Supplier Approval[2] | Hourly rate of $150 per person plus the cost of supplies and equipment | As incurred | You must reimburse us for any and all reasonable costs we incur in investigating and determining whether any previously unapproved products, services or suppliers you desire to use meet our standards and specifications. |
| Relocation Fee[2] | $5,000 | When we approve the new location | Payable only if you move your current location during the term of the Franchise Agreement. |
| Upgrading and Remodeling Expenses[5] | Will vary depending on the items that are upgraded or remodeled | As required by us | Payable if we require upgrades or remodeling of the premises or the furnishings or equipment used in the Espresso Bar. |

1 The fees in Item 6 apply to all franchises developed under a Development Agreement.

2 Fees and charges imposed by and payable to us. All of these fees and charges are nonrefundable. All fees and charges payable to us are paid by ACH transfer. Except as described in this Item, all fees and charges are uniformly imposed on franchisees currently acquiring a franchise. We reserve the right to modify these fees and charges including to resolve disputes, to address current business and economic conditions and under other circumstances.

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

4 We and our affiliates reserve the right to charge for inventory purchases on a C.O.D. basis or other payment terms as we or our affiliates may determine.

5 Fees which are not paid to us, but are generally not refundable.

# ITEM 7

## ESTIMATED INITIAL INVESTMENT

## YOUR ESTIMATED INITIAL INVESTMENT

**A. Franchise Agreement – First KINGS ROAD Espresso Bar**

| Type of Expenditure* | Amount | Method of Payment | When Due | To Whom Payment Is To Be Made |
|---|---|---|---|---|
| Initial Franchise Fee (See Note 1) | $50,000 | Lump sum | Due at signing of Franchise Agreement, | Us |
| Leasehold Improvements (See Note 2) | $50,000-$100,000 | As incurred | Before Opening | Other Suppliers |
| IT and POS Systems (See Note 3) | $1,500-$3,000 | As incurred | Before Opening | Other Suppliers |
| Equipment, Fixtures and Furniture (See Note 4) | $50,000-$75,000 | As incurred | Before Opening | Other Suppliers |
| Signage (See Note 5) | $3,000-$8,000 | As incurred | Before Opening | Other Suppliers |
| Opening Inventory and Supplies (See Note 6) | $3,000-$5,000 | Lump Sum when ordered | Before Opening | Us and Other Suppliers |
| Security Deposits, Utility Deposits, Business Licenses, Insurance and Professional Fees (See Note 7) | $6,000-$16,500 | As incurred | Before Opening | Other Suppliers |
| Initial Training Expenses (See Note 8) | $1,000-$5,000 | As incurred | Before Opening | Other Suppliers |
| Initial Marketing Campaign (See Note 9) | $1,000-$2,500 | As incurred | Around Opening | Other Suppliers |
| Additional Funds - 3 Months (See Note 10) | $20,000-$50,000 | As incurred | As incurred | Other Suppliers |
| **TOTAL ESTIMATED INITIAL INVESTMENT** (See Note 11) | **$185,500-$315,000** | | | |

* None of the fees or costs estimated in the chart above are refundable, except that deposits paid to third parties may be refundable.

**Explanatory Notes**

**Note 1: Initial Franchise Fee**. The Initial Franchise Fee for a single KINGS ROAD Espresso Bar is $50,000. See Item 5.

**Note 2: Leasehold Improvements**. These are estimated costs to build out space in an in-line leased location. Depending on your location and other factors, your actual costs may vary from the estimated range. Typically, a KINGS ROAD Espresso Bar will have less than 1,000 square feet of retail space. Ideally, limited patio seating is also available. Your costs for tenant finishes for the Espresso Bar will depend in large part on the square footage of your Espresso Bar, and the location and the condition of the facility when it is leased. The lower estimate in the chart assumes that you have obtained a build-to-suit lease space or "move-in-ready" space for your Espresso Bar. The leasehold improvements which you will typically make include interior remodeling, floor covering, painting, HVAC, electrical, design and other improvements. Any design and architectural fees that you will incur are included in this estimate. If your Espresso Bar opens in a strip mall or any building other than a major mall, the landlord will sometimes pay a portion of your tenant improvements. If your Espresso Bar is in a major mall or Triple A location, the landlord will usually not pay for any of your tenant improvements, resulting in higher construction costs to you. The condition of previously occupied sites varies greatly, and the amount of usable space also varies greatly. If you purchase property or a building, or both, for your Espresso Bar, your additional costs will depend on the location and size of the land and building. We do not typically invest in the land and building for an Espresso Bar, so these costs are not included in the chart above. We are unable to estimate these costs due to the significant variances based on location and market conditions.

**Note 3: IT and POS Systems.** This item includes the estimated costs to purchase or license a computerized point-of-sale system and software, hardware and software for an online ordering system that we require, a telephone system, a personal computer, a smartphone or other similar device with e-mail capability, including a data plan with a reputable high-speed wireless carrier, and facsimile capability. See Item 11. All of these costs are paid to third party suppliers.

**Note 4: Equipment, Fixtures and Furniture**. This item includes the estimated costs to obtain the required fixtures and furniture and kitchen equipment for an Espresso Bar, including one or two espresso machines and coffee grinders, refrigeration, ice machines, and freezer space, work tables, sinks dishwashers and panini grill. This estimate includes freight and installation, but does not include state or local taxes. The lower range in the chart assumes that you are equipping your Espresso Bar with used and/or leased equipment.

**Note 5: Signage**. The chart provides the estimated costs to obtain signs for an Espresso Bar, including custom signs, interior and exterior signs, and displays.

**Note 6: Opening Inventory and Supplies**. You must open with and maintain an adequate inventory of menu items, food, coffee and other ingredients, beverages, paper goods, small cooking supplies, uniforms, and branded products and merchandise for retail sale to your customers. You will purchase your opening inventory from us or an affiliate of ours, and from third parties.

**Note 7: Security Deposits, Utility Deposits, Business Licenses, Insurance, and Professional Fees**. Security deposits, if applicable to your Espresso Bar, may range from nothing to three months' rent. Utility deposits range from a nominal amount to approximately $2,000; and business licenses range from approximately $100 to $1,000, depending on your location. You may also incur fees for professional services such as legal or accounting service in establishing your Espresso Bar.

**Note 8:** **Initial Training Expenses**. Your travel and living expenses when you attend our initial training program , which is held in Los Angeles, California or other designated locations, will vary depending on the length of your training, the distance you must travel and the standard of living you desire while you attend the program. As of the date of this Disclosure Document, the training will take place at a training facility we designate. See Items 6 and 11.

**Note 9:** **Initial Marketing Campaign**. We estimate that you should spend at least $1,000 for an initial marketing program for your Espresso Bar, to take place on the dates we designate before and after your Espresso Bar opens. You must use media and materials we approve.

**Note 10:** **Additional Funds**. This is an estimate of your pre-operational expenses, which we have not listed above, as well as additional funds necessary for the first three months of your Espresso Bar operations. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting your Espresso Bar. Your costs depend on factors such as: how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our products and services; the prevailing wage rate; competition; and the sales level reached during this initial period. This item includes a variety of expenses and working capital items during your start-up phase such as: legal and accounting fees; additional rent expenses; insurance premiums; additional advertising and promotional expenses and materials; utility charges; and other miscellaneous costs. This item does not include your salary or living expenses.

**Note 11:** **Basis For Estimates; Financing**. We relied on our principals' combined 50 plus years of experience in the coffee shop and restaurant business when preparing these figures. Because the ranges in the chart are only estimates, we believe it is possible to either fall below or to exceed the estimated range of costs listed in each item of the chart. In certain major metropolitan areas, actual costs may exceed the high range estimates in the chart. You should review these figures carefully with a business advisor before making any decision to purchase a franchise. We do not offer financing either directly or indirectly for any part of the initial investment. The availability and terms of financing from independent third parties depends on factors such as the availability of financing generally, your creditworthiness, other security and collateral you may have and policies of lenders.

**B.** **Multi-Unit Development Agreement**

**YOUR ESTIMATED INITIAL INVESTMENT[1, 2, 3, 4]**

| Column 1<br><br>Type of Expenditure | Column 2<br><br>Amount | Column 3<br><br>Method of Payment | Column 4<br><br>When Due | Column 5<br><br>To Whom Payment Is To Be Made |
|---|---|---|---|---|
| Development Fee | $15,000 - $45,000 | Lump Sum | When you sign Development Agreement | Us |

**Explanatory Notes**

1. None of the fees or costs estimated in the chart above are refundable.

2. This chart shows the estimated initial investment associated with signing a Development Agreement for the right to develop one to three KINGS ROAD Espresso Bars, in addition to your initial

Espresso Bar. You may acquire the right to open more than three additional Espresso Bars under the Development Agreement, in which case your Development Fee will increase.

3. The initial franchise fee for the second and each subsequent Espresso Bar opened under the Development Agreement is $40,000. We will apply $15,000 of the Development Fee paid for each additional Espresso Bar towards the initial franchise fee. The balance of each initial franchise fee for the additional Espresso Bar to be developed under the Development Agreement is due upon execution of the Franchise Agreement for that Espresso Bar.

4. This chart does not include the initial investment to open each of the KINGS ROAD Espresso Bars under a Development Agreement. The initial investment for opening your first Espresso Bar under the Development Schedule is described separately in Chart A of this Item 7.

## ITEM 8

## RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

### Operations

You must establish, maintain and operate your Espresso Bar in compliance with your Franchise Agreement. It is mandatory that you comply with the standards and specifications contained in materials we provide to you, in the form of one or more manuals, technical bulletins or other written or electronic materials ("**Resource Center Materials**"), which we may modify. We provide you with our mandatory standards and specifications for the menu items and retail products and related services offered at or through your Espresso Bar and for the Franchised Location, equipment, furniture, fixtures, menus, food, paper products, inventory policies, uniforms, supplies, forms, insurance, advertising material and other items used at your Espresso Bar. The Resource Center Materials are designed to protect our reputation and the goodwill of the Marks, they are not designed to control the day-to-day operations of your Espresso Bar. You must comply with these standards and specifications, including the terms of any mandatory product recall promptly upon receipt of notice from us of such recall.

One of our primary methods of communication with our franchisees is by small message service via email, text messages, or other electronic methods ("**SMS**"). Any standards and specifications communicated by SMS are deemed part of the Resource Center Materials, and you are required to comply with them.

### Build-Out and Lease

You must, at your expense, construct, convert, design, decorate and furnish the Franchised Location in accordance with our approved plans and specifications. We require that you submit drawings of the layout and proposed improvements to the Franchised Location for our review and approval before construction begins.

We must review any purchase agreement and any lease or sublease ("**Lease**") for the Franchised Location of your Espresso Bar before you sign the purchase agreement, lease or sublease. A copy of any signed Lease must be delivered to us within 15 days after you sign it. Once approved by us, you, together with the lessor, must sign the Lease. The Lease must contain the Conditional Assignment of Lease, attached to the Franchise Agreement as Attachment IV.

If you have already signed a lease or sublease or you have already purchased a location for your Espresso Bar when you sign the Franchise Agreement, our execution of the Franchise Agreement does not imply that we approve of any particular location.

## POS System, Software and Other Technology

You must purchase your point of sale system from a designated provider of the Clover POS systems (the "**POS System**"). Aside from the point of sale system, we do not specify the brand or model of computer or printers you must use, but any computer you use must be industry-standard and meet our specifications, and we may specify brands or models in the future. Your printer or printers must have the ability to print customer receipts at the point of sale and stickers for use on cups to identify the beverages being served. You may obtain the computer equipment from any vendor so long as the vendor meets our requirements. (See Items 7 and 11).

Your systems must be internet-connected via broadband at all times and interfaced with our system to enable us to electronically access your daily receipts figures from our headquarters at any time. In other words, we will have independent access to the information generated and stored in your cash register or computer systems. There is no contractual limitation on our rights to access this information.

We will manage the license with the point of sale provider we select for the system of KINGS ROAD Espresso Bars nationally. You will pay such provider its standard fee for such license.

You must be equipped to accept electronic payments wirelessly from customers using their cell phones and any KINGS ROAD Espresso Bar application we may develop which allows customers to accumulate reward points each time they make a purchase.

Currently, we derive no revenue from your purchase of a POS system, although we reserve the right to derive revenue from your purchase and license of a POS System or any proprietary software, if and when we develop our own proprietary system or software and license them to you. See Items 7 and 11. We reserve the right, upon 30 days' prior written notice to you, to require that you obtain the ability to fully participate in an online ordering system, which may include the purchase of additional software and payment of a related technology fee. Additionally, we reserve the right to require that you obtain the capability to connect to, access and fully participate in any Intranet that we develop, which may include the purchase of additional hardware and software meeting our minimum specifications, to facilitate communication among our franchisees. Your participation and your communications on any Intranet that we develop will be governed by the standards, specifications and guidelines we establish from time to time. See Items 7 and 11.

## Purchases From Designated or Approved Sources

In order to maintain the quality and uniformity of KINGS ROAD Espresso Bar products and services, you must purchase certain proprietary coffee, designated food products, and other proprietary food items as well as logo cups and other branded material that we may develop from time to time ("**Proprietary Items**") from us or suppliers designated by us, including our affiliated companies, KRC and Heirloom. These are items for which we customarily refrain from divulging the recipes or sources, and which are maintained as trade secrets. We reserve the right, upon 10 days' prior notice to you, to require you to purchase from us, our affiliates or other designated sources certain additional Proprietary Items and other food products, beverages or other items that we may designate. You will also purchase from a supplier designated or approved by us the furniture, fixtures and equipment, for your Espresso Bar. We reserve the right to change any designated supplier or change, reduce or add to the list of items subject to designated supplier arrangements. You must execute any agreement as may be reasonably required by a designated supplier.

In order to maintain the quality and uniformity of all KINGS ROAD Espresso Bar products and services, all food products, beverages, menu items, ingredients, equipment, other supplies, forms, fixtures and furnishings used, sold or leased through your Espresso Bar must come only from suppliers approved by us in advance. We reserve the right to designate a single approved supplier, including us or our affiliates, for any of these items. If we designate a third-party supplier and then establish a discount buying program or similar arrangement with the designated supplier of a product or menu item that you sell in your Espresso Bar, we reserve the right to derive revenue from your purchases of such products or menu items. On or before commencement of the initial training program, we will make available to you a list of our approved suppliers, the standards and specifications for items to be used, sold or leased by you through your Espresso Bar, as well as our criteria for approving a supplier, if any.

We and our affiliates sell certain Proprietary Items and other products and supplies to franchisees and derive revenue from such sales. Since we did not commence selling franchises until 2018, in the fiscal year ended December 31, 2017, we and our affiliates did not derived any revenue from franchisee purchases. See our financial statements in Item 21.

We estimate that the costs of your purchases from designated or approved sources, or according to our standards and specifications, may range from 40 percent to 60 percent of the total cost of establishing an Espresso Bar and approximately 20 percent to 40 percent of the total cost of operating an Espresso Bar after that time.

If you want to purchase or lease any inventory, equipment, supplies, or services we have not approved, or purchase or lease these items from a supplier who we have not approved, you must notify us in writing and obtain our approval in advance. The notification should include sufficient specifications, photographs, drawings and other information and samples to determine whether those items or those suppliers meet our specifications. You must pay us a fee of $150 per hour per person in our testing and investigation, and reimburse us for the actual cost of any testing and the reasonable cost of investigation, to determine whether those items or suppliers meet our specifications. We will notify you of our decision within 30 days of receipt of your written request. We may reject a proposed supplier on any basis in our discretion, including for purposes of protecting our trade secrets from third parties or on the basis of the terms offered to us or our franchisees from the proposed supplier compared to any current designated or approved supplier. We do not have written criteria for supplier approval, and therefore such criteria are not provided to our franchisees. If we establish written criteria, we reserve the right to change any criteria regarding any approved supplier or any inventory, equipment, supplies, or services used, offered for sale or leased by franchisees and you must comply with such changes within 10 days following written notice from us.

We do not provide material benefits, such as renewal or granting additional franchises to franchisees based on your use of designated or approved sources or suppliers.

**Gift and Loyalty Cards**

Except as prohibited or limited by law, you must, at your sole cost, fully participate in all promotional campaigns, prize contests, customer loyalty programs, social media programs, special offers, discount programs including deal-of-the-day and crowdsourcing programs, and other programs, whether international, national, regional, or local in nature, which we prescribe. In addition, at your sole cost, you must honor any coupons, customer loyalty program points or credits, gift certificates or cards, discounts, or other authorized promotional offers that we prescribe for the franchise system, unless we agree otherwise. You must follow the guidelines set forth in the Resource Center Materials with respect to your obligations and responsibilities under these programs. We reserve the right to require you to purchase and utilize processing equipment and software designated by us to implement any of these programs.

**Insurance**

You must procure, maintain and provide evidence of certain types and amounts of insurance coverage described in the Resource Center Materials and Franchise Agreement. These types of insurance include comprehensive general liability, products liability, unemployment and worker's compensation, personal property, business interruption, employee dishonesty, owned and non-owned auto liability and builder's risk coverage and an umbrella policy. If you fail to purchase this insurance, we may demand that you cease operations or obtain insurance for you and you must reimburse us for the cost of the insurance. All insurance policies must name us as an additional insured and give us at least 30 days' prior written notice of termination, amendment or cancellation. You also must provide us with certificates of insurance evidencing your insurance coverage before the opening of your Espresso Bar. You must furnish us with copies of all required insurance policies or other evidence of insurance coverage and payment of premiums as we request from time to time. We reserve the right to require you to change the types and amounts of insurance you are required to maintain upon 60 days' prior written notice to you.

**Purchasing Arrangements**

We have purchasing arrangements to provide our franchisees with proprietary and designated food items, cooking and serving supplies, and with specific coffee products. We require that you participate in these arrangements; however, you should not at any time rely on the continued availability of any particular pricing arrangement, nor the availability of any particular product or brand in deciding whether to purchase the franchise.

If we designate another third party supplier and then establish a discount buying program or similar arrangement with the designated supplier of a product or menu item that you sell in your Espresso Bar, we reserve the right to derive revenue from your purchases of such products or menu items.

We and our affiliates have the right to receive payments from suppliers on account of their dealings with you and franchisees. Since we did not commence franchising until 2018, during the fiscal year ending December 31, 2017, we did not receive any payments from third party suppliers as a result of franchisee purchases. We and our affiliates may retain the credit of any rebate, incentive or volume discounts received as a result of your purchases and are not required to share it with our you or our other franchisees.

## ITEM 9

## FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the Franchise Agreement, Multi-Unit Development Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.**

| Obligation | Section in Agreements | Disclosure Document Item |
|---|---|---|
| (a) Site selection and acquisition/ lease | Sections 3.1, 5.1 and 5.2 of Franchise Agreement ("**FA**"); Section 3.3 of Multi-Unit Development Agreement ("**MUDA**") | Items 8 and 11 |
| (b) Pre-opening purchases/leases | Sections 5.2, 5.3, 5.4, 5.5 and 5.6 of FA | Items 5, 6, 7 and 8 |
| (c) Site development and other pre-opening requirements | Sections 5.3, 5.4, 5.5, 5.6 and 5.7 of FA | Items 7, 8 and 11 |
| (d) Initial and ongoing training | Article 6 of FA; Section 3.4 of MUDA | Item 11 |
| (e) Opening | Section 5.8 of FA; Section 3.1 of MUDA | Item 11 |

| Obligation | Section in Agreements | Disclosure Document Item |
|---|---|---|
| (f) Fees | Articles 4, 11 and 12 and Sections 5.6, 6.3, 10.2, 14.6, 15.8, 17.2, 18.3, 20.3, 22.3 and 24.6 of FA; Article 2 and Sections 3.1, 3.4 4.2, 5.3 and 8.10 of MUDA | Items 5, 6 and 7 |
| (g) Compliance with standards and policies/Resource Center Materials | Article 8 and Sections 10.3, 14.1 and 14.2 of FA | Items 1, 8, 11 and 15 |
| (h) Trademarks and proprietary information | Article 15 and Section 21.3 of FA | Items 13 and 14 |
| (i) Restrictions on products/services offered | Sections 3.3, 3.4, 10.1.d and 14.4 of FA | Items 11 and 16 |
| (j) Warranty and customer service requirements | Not Applicable | Not Applicable |
| (k) Territorial development and sales quotas | Article 3 of FA; Sections 1.1 and 3.1 of MUDA | Item 12 |
| (l) Ongoing product/service purchases | Sections 14.5, 14.6 and 14.7 of FA | Item 8 |
| (m) Maintenance, appearance and remodeling requirements | Sections 10.1.a, b and h of FA | Item 11 |
| (n) Insurance | Article 22 of FA | Items 7 and 8 |
| (o) Advertising | Articles 12 and 13 of FA | Items 6, 7 and 11 |
| (p) Indemnification | Section 20.3 of FA; Section 7.2 of MUDA | Item 6 |
| (q) Owner's participation/ management/staffing | Sections 10.1.c and i of FA | Items 11 and 15 |
| (r) Records/reports | Article 16 of FA | Item 6 |
| (s) Inspections and audits | Sections 14.3 and 16.6 of FA | Item 6 |
| (t) Transfer | Article 17 of FA; Article 5 of MUDA | Item 17 |
| (u) Renewal | Section 18.3 of FA | Item 17 |
| (v) Post-termination obligations | Section 19.3 of FA; Article 6 of MUDA | Item 17 |
| (w) Non-competition covenants | Article 21 of FA; Article 6 of MUDA | Item 17 |
| (x) Dispute resolution | Article 23 of FA; Article 8 of MUDA | Item 17 |

## ITEM 10

## FINANCING

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

## ITEM 11

## FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

**Pre-Opening Assistance**

Before you open your Espresso Bar, we will:

1. Designate your Protected Area and, if applicable, your Development Area. (Section 3.2 of the Franchise Agreement; Section 1.1 of the Development Agreement.)

2. Assist you in locating the site for your Espresso Bar by providing you with criteria for an acceptable site and by approving or disapproving your proposed site. You must locate and obtain our approval of the Franchised Location within 90 days of signing the Franchise Agreement and must open your Espresso Bar within the earlier of (i) 180 days after signing the lease for the Franchised Location or (ii) one year after signing the Franchise Agreement. No contractual limit exists on the time it takes us to approve or disapprove your proposed location. However, we typically take no more than 10 business days to approve or disapprove your proposed location, and we may extend the deadline for opening your Espresso Bar when circumstances beyond your reasonable control delay the site selection and approval process. (Sections 5.1, 5.8 and 7.1.b of the Franchise Agreement; Section 3.3 of the Development Agreement.)

3. Make available to you such standards and specifications as we have developed for the leasehold improvements, design of the Espresso Bar, layout, signs, colors, decor, inventory, equipment, programs, displays and uniforms. We must approve your construction plans and specifications before construction begins. You are responsible for the cost of any architectural designs and drawings that you obtain, and for modifying any plans that we may provide to you, and for the cost of construction. (Sections 5.2, 5.3, 5.4, 5.5, 5.6 and 7.1.c of the Franchise Agreement.) See also "Site Selection Assistance," described below in this Item.

4. Make available to you standards and specifications for suppliers of equipment, items and materials, food and beverage products and merchandise offered for sale, in connection with your Espresso Bar. We will provide you with a list of approved suppliers, if any, of such equipment, items, materials, food and beverage products and merchandise, and, if available, a description of any regional or central purchase and supply agreements offered by such approved suppliers for the benefit of our franchisees. (Section 7.1.d of the Franchise Agreement.)

5. Before the opening of your Espresso Bar we furnish an initial training program described below in this Item. (Article 6 and Section 7.1.a of the Franchise Agreement; Section 3.4 of the Development Agreement)

6. Provide you electronic access to and written copies of our confidential and proprietary Resource Center Materials covering certain aspects of the specifications, standards, recipes and operating procedures that we require in the operation of your Espresso Bar, including all updates and revisions. (Article 8 and Section 7.1.e of the Franchise Agreement.)

7. Provide you with assistance and advice about how to conduct your initial marketing campaign. (Section 7.1.f of the Franchise Agreement.)

## Continuing Assistance

During the operation of your Espresso Bar, we will:

1. Provide three to four days of assistance at or around the time your Espresso Bar commences operation, provided that you give us a minimum of 60 days' written notice before your Espresso Bar opens. (Section 6.2 of the Franchise Agreement.)

2. Provide you access to advertising and promotional materials that we may develop the cost of which may be passed on to the Marketing and Technology Fund or to you at our option. (Section 9.1.a of the Franchise Agreement.)

3. Upon your reasonable request, provide consultation by SMS, e-mail, telephone or facsimile regarding the continued operation and management of your Espresso Bar and information regarding product quality control, menu items, customer relations, product and merchandise purchase, supply and sale and similar advice. (Section 9.1.b of the Franchise Agreement.)

4. Provide additional seminars or programs, at a frequency which we shall determine, on new methods, equipment and products. (Section 9.1.c of the Franchise Agreement.)

5. Provide you with updates of information and programs regarding the Espresso Bar the Kings Road concept or the Licensed Methods, at a frequency which we shall determine, including, without limitation, information about additions and improvements to menu items, products and merchandise or new products and merchandise which may be developed and made available for sale by franchisees. You agree to upgrade, remodel or replace the property and equipment used in operating the Espresso Bar if requested by us on a system-wide basis. (Sections 9.1.d and 10.1.h of the Franchise Agreement.)

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

7. At our discretion and to the extent permitted by law, periodically provide specifications to you for any maximum or minimum prices we establish to be charged by you for products and services in your Espresso Bar. You must comply with the maximum and minimum pricing guidelines we establish. If we do not establish pricing limits for certain products and services, we may provide you with suggested prices for those items at our discretion. (Section 10.1.m of the Franchise Agreement).

## Advertising and Promotion

We reserve the right to require you to pay us a fee for Marketing and Technology Fee at any time after there are five KINGS ROAD Espresso Bar franchisees in the system. We will provide you at least 30 days' written notice before we implement the Marketing and Technology Fee. The Marketing and Technology Fee, once established, will be 2 percent of the your Gross Sale during the remaining term of the Franchise Agreement, and will be due to us along with your Royalty payment, unless we establish a difference payment schedule for this fee.

We will deposit the Marketing and Technology Fee in a separate bank account or savings account ("**Marketing and Technology Fund**" or "**Fund**"). All company and affiliate-owned Espresso Bars, if any, pay into the Marketing and Technology Fund on an equal percentage basis with all newly franchised Espresso Bars. If you request it, 60 days after the end of each year we will send you an annual unaudited financial statement for the Marketing and Technology Fund which indicates how the Marketing and Technology Fund has been spent during the previous year. Because we do not have the Fund audited, audited financial statements are not available to you.

We will administer the Marketing and Technology Fund in our sole discretion. The Marketing and Technology Fund proceeds may be used for researching, preparing, maintaining, administering and directing advertising and promotional materials and public relations programs, including production of commercial print, radio, television, magazine, newspaper, Internet advertising, direct response literature, direct mailings, brochures, collateral materials advertising, surveys of advertising effectiveness, Franchise Advisory Council expenses, convention expenses, social media marketing, and other advertising or public relations expenditures, for any international, national, or regional media. We may also use the Marketing and Technology Fund to pay for the expenses related to researching, developing, implementing, servicing, and operating any technology used in any manner related to the KINGS ROAD franchise system or the Espresso Bars, including any technologies utilized in or related to our website, search engine optimization, reporting of information for Espresso Bars, the equipment used in Espresso Bars, and Espresso Bars computer systems (collectively, the "**Technology**"). We will not spend the Marketing and Technology Fund's money on soliciting franchisees.

Once established, we may reimburse ourselves from the Marketing and Technology Fund for administrative costs, salaries and overhead expenses related to the administration of the Marketing and Technology Fund and its programs, including conducting market research, preparing material, collecting and accounting for Marketing and Technology Fund contributions, providing any services related to any Technology, and all costs and expenses related to the Franchise Advisory Council discussed below. In any fiscal year we may spend an amount greater or less than the aggregate contribution of all Espresso Bars to the Marketing and Technology Fund in that year. The Marketing and Technology Fund may borrow from us or other lenders to cover deficits or cause the Marketing and Technology Fund to invest any surplus for future use. Any amounts remaining in the Marketing and Technology Fund at the end of each year accrue and we apply them toward the next year's expenses. We do not guarantee that advertising expenditures from the Marketing and Technology Fund will benefit you or any other franchisee directly or on a pro rata basis. The Marketing and Technology Fund is not a trust fund, and we do not owe a fiduciary duty to you with respect to the maintenance, direction, or administration of the Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due to any marketing account or for maintaining, directing or administering any advertising account.

We may use outside advertising agencies and personnel and in-house personnel to create regional or national advertising, including social media ads, ad slicks, radio and television spots and other marketing pieces and programs and we may purchase and place national advertising.

Although we intend the Marketing and Technology Fund, once established, to be of perpetual duration, we reserve the right to terminate the Marketing and Technology Fund on 30 days' notice, in which case we will distribute the funds remaining in the fund to our franchisees in proportion to their respective contributions during the preceding 12-month period. We may later reinstate the Marketing and Technology Fund upon the same terms and conditions set forth herein upon 30 days' prior written notice.

**Local Advertising.** You may create your own advertising and promotion materials; however, all advertising and promotion by you must be in the media and of the type and format as we approve, must be conducted in a dignified manner and must conform to our standards and requirements. You may not use any advertising or promotional plans or materials unless and until you have first received written approval from us. You must purchase local advertising separately through local marketing and media sources within a geographical area. Local advertising is your responsibility.

You must submit to us samples of all advertising and promotional materials which have not been prepared or previously approved by us at least 30 days prior to the deadline for disseminating them. We retain the right to develop and control all advertising using our Marks, including on the Internet or other electronic advertising. We reserve the right, at any time and on notice to you, to require that you participate in electronic advertising by creating, customizing or providing access to a linked webpage or otherwise.

Except as prohibited or limited by law, you must, at your sole cost, fully participate in all promotional campaigns, prize contests, customer loyalty programs, social media programs, special offers, discount programs including deal-of-the-day and crowdsourcing programs, and other programs, whether international, national, regional, or local in nature, which we prescribe. In addition, at your sole cost, you must honor any coupons, customer loyalty program points or credits, gift certificates, discounts, or other authorized promotional offers that we prescribe for the franchise system, unless we agree otherwise. You must follow the guidelines set forth in the Resource Center Materials with respect to your obligations and responsibilities under these programs. We reserve the right to require you to purchase and utilize processing equipment and software designated by us to implement any of these programs.

**Initial Advertising Campaign.** We will provide you with advice about how to conduct an initial marketing campaign for your Espresso Bar, which will be conducted around the time the Espresso Bar opens for business. See Item 7 for the costs of the campaign. We make marketing materials available to you in the Resource Center Materials.

**Regional Advertising Cooperatives.** We may, upon 30 days' written notice to you, create a regional or local advertising cooperative ("**Co-op**") in the market area where you are located, at which time you must become a member of the Co-op. Each Co-op will have the right, by majority vote of the Espresso Bars, counted by one vote per Espresso Bar, and subject to our approval, to require its members to make contributions to the Co-op on a regular or intermittent basis.

Each Co-op will be organized and governed in a form and manner, and begin operating on a date, that we determine in advance. We have the right to form, change, dissolve and merge Co-ops. Each Co-op is, with our approval, to administer advertising programs and develop advertising, marketing and promotional materials for the area that the Co-op covers. If you are contractually bound by your lease or mall regulations to expend a required amount on advertising, the Co-op must factor this in when considering your dues and assessments to be paid to the Co-op. If we form a Co-op, you will be bound by the decisions of the majority of the members of the Co-op regarding expenditures, assessments and dues, to the extent we approve them. If you are in default under the Franchise Agreement, the Co-op reserves the right to not permit you to vote. Except as stated in this section, if you fail to participate in the Co-op or pay any Co-op dues, you breach the Franchise Agreement.

We must approve all advertising materials before they are used by a Co-op or furnished to its members. Each Co-op must prepare unaudited annual financial statements and send them to you if you request them. We have the right to determine the geographical areas included in each Co-op. Each Co-op will operate under a written document which franchisees can view. Either we or an advertising agency designated by us or the Co-op may create the Co-op's advertising materials and campaigns, but advertising created by the Co-op would be required to have our written approval before use. We do not guarantee that your Espresso Bar will benefit, either directly or in proportion to its contribution to the Co-op, from Co-op expenditures.

**Franchisee Advisory Council**

As of the date of this Disclosure Document, we do not sponsor a Franchisee Advisory Council ("**FAC**"). We retain the authority to form, change and dissolve a FAC. The FAC will act only in an advisory capacity and will not have decision-making authority.

**Resource Center Materials**

Attached to this Disclosure Document as Exhibit G is the table of contents of our Resource Center Materials. There are approximately 70 pages in our Resource Center Materials.

**Point-Of-Sale Systems, Computers and Other Technology**

As described in Item 8 above, you must purchase computer equipment and software for your electronic point-of-sale system meeting our specifications (together with the software, referred to as "**POS System**"). You will need a minimum of one cash register terminals in your POS System, but may need more terminals depending on the size of your space, counter space and design of your Franchised Location. The POS System hardware currently approved for use in Espresso Bar is a Clover system, available through our designated or approved vendor. We estimate the cost of purchasing the computer system and software will range from $1,500 to $2,000. Support and maintenance costs are estimated to be approximately $100 annually. We reserve the right to require you to pay us or our approved vendor for support and maintenance.

We require that you purchase from the supplier of the POS System or another designated supplier all modifications and upgrades to the POS System software, including upgrades to anti-virus software. Except for the support, maintenance, repairs, upgrades, and updates provided in exchange for these payments to us or the approved supplier, neither we nor any approved supplier is obligated to provide ongoing support, maintenance, repairs, upgrades, or updates for your POS System. You may not install software on the POS System that has not been approved in advanced by us and our designated POS System supplier. The POS System installation, configuration, integration and operation must be performed in accordance with our standards and specifications, which are subject to change at our discretion without any contractual limitation.

We have the right to independently access all POS System information. We have no contractual limitation on our right to receive information through the POS System.

In addition to your POS System, you will need to obtain a computer system for your administrative office. This computer system is to be used for maintaining your financial and payroll records and other business records. You may use a laptop or other similar computer and business software. We do not currently have any requirements regarding the computer hardware and software, although we reserve the right to establish standards in the future.

We may change the required POS System and back office computer hardware and software, in which case you will be required to convert your POS System, hardware, and software, at your cost. Currently, we do not require that you install and maintain a surveillance security system, although we recommend you do so, and reserve the right to require you to install and maintain a security system in the future, at your cost.

Neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades or updates to any of the computer hardware or software used in your Espresso Bar.

Although we have not established a system yet, we may establish and provide you an e-mail account with the domain name "kingsroadcoffee.com" or other domain name we select. Once established, and for consistency throughout the system, franchisees are required to use only the e-mail account provided by us in the operation of their KINGS ROAD Espresso Bars. The e-mail account we provide you cannot be used for any purpose not related to the operation of your Espresso Bar. Once established, franchisees must check their e-mail account at least daily for incoming messages, and respond promptly and appropriately to all messages. If we provide this capability, a link on our website will allow customers to contact you using your e-mail account. Additionally, our e-mail account system will be the primary source of communications from us regarding the operation of your KINGS ROAD Espresso Bar unless you are otherwise notified by us in writing. You are required to regularly use a device that accesses the Internet, which may be a smartphone (or other similar device designated by us) with e-mail capability which meets our minimum specifications and obtain a data plan with a reputable wireless carrier which allows you to access your e-mail account and communicate by e-mail on an unlimited basis each day with us and customers of your Espresso Bar. The cost of purchasing a smartphone typically ranges from $50 to $200 and the cost of a wireless data plan from a major carrier typically ranges from $30 to $50 per month. You agree that you have no reasonable expectation to privacy in the information and data communicated, stored or received using our e-mail account system and that we have the right to receive and review the information communicated to and from and stored on our e-mail account system. We have no contractual limitation on our right to receive information through our e-mail account system. We do not require you to give us independent access to the information generated or stored on a smartphone.

We and third parties may (i) develop proprietary software or other technology systems for use in KINGS ROAD Espresso Bars and charge you a license or other fee to license or purchase such software or other technology; (ii) derive revenue from computer software or other technology systems maintenance and upgrade fees, in the event proprietary software or other technology systems are developed or required to be used in your Espresso Bar; and (iii) require that you participate, at your cost, in all credit card or other payment programs, in all electronic data capture, electronic communication services or other similar programs that we deem mandatory.

You must accept credit and debit cards from customers of your Espresso Bar. The Payment Card Industry ("**PCI**") requires all companies that process, store, or transmit credit or debit card information to protect the cardholders' information by complying with the PCI Data Security Standard ("**PCI DSS**"). Therefore, you must be PCI compliant by following and adhering to the then-current PCI DSS, currently found at www.pcisecuritystandards.org, or any similar or subsequent standard for the protection of cardholder data throughout the term of your Franchise Agreement. PCI mandates the PCI DSS compliance. You may not charge your customers any additional fees or service charges if they elect to pay by credit or debit card.

**Site Selection Assistance**

You must select and acquire the site for your Espresso Bar. We do not typically own and lease sites to our franchisees. When you have selected a location for your Espresso Bar you must submit information to us regarding the location so that we may accept or reject the site. Our assistance with the selection and approval of a location includes criteria for a satisfactory Espresso Bar location and a determination as to whether the site fulfills the requisite criteria. The following factors are considered when we review a proposed site: location character; proximity to major roads; income levels; demographics; competition; demand for a KINGS ROAD Espresso Bar; lease terms and rates or purchase terms; visibility; tenant mix; signage and parking access. At your request we may, but are not obligated to, send our representative to your proposed location for on-site assessment prior to granting approval of a location. You must pay all travel and living expenses of our employees related to the requested on-site assessment. If we disapprove of any proposed site, we will grant you an additional reasonable time to obtain approval for a different site. If you do not find an acceptable site within a year of signing the Franchise Agreement, however, we may terminate the Franchise Agreement if we determine that an extension of time is not reasonable under the circumstances. Our acceptance of a location does not infer or guarantee the success or profitability of an approved location.

## Schedule For Opening

We estimate that the typical length of time between the date you sign the Franchise Agreement and the date your KINGS ROAD Espresso Bar opens will be approximately six to nine months. The factors which may affect this time period are your ability to locate a satisfactory site, comply with local ordinances and zoning, secure financing, and obtain a lease, as well as the extent to which an existing location must be upgraded or remodeled, the delivery schedule for equipment, recruiting and hiring, purchasing products and supplies, and completing your training. You must obtain our prior written approval before opening the Espresso Bar and you must open the Espresso Bar no later than the earlier of (i) 180 days after signing the lease for the Franchised Location or (ii) one year after signing the Franchise Agreement, unless we determine that the circumstances warrant granting you an extension of time. We reserve the right to perform a walk-through of the location for your Espresso Bar after you notify us that you are ready to open for business. If we perform this walk-through, we will provide you with a written list of anything that must be done or changed prior to opening or promptly after opening. You will not be permitted to open the Espresso Bar until you have furnished the Espresso Bar, purchased inventory, fully stocked the Espresso Bar with menu items, and trained your employees. You are required under the Franchise Agreement to commence operations of your Espresso Bar no more than one year after execution of the Franchise Agreement. You are deemed to have commenced operations and opened at the time that you have complied with all pre-opening obligations in the Franchise Agreement and your KINGS ROAD Espresso Bar is first open to any paying customers.

## Training Program

At any time before the opening of a KINGS ROAD Espresso Bar, two designated persons must attend and complete to our satisfaction the initial training program, ("**Training Program**") which will be conducted in Los Angeles, California or at an alternative location designated by us. We do not charge you a tuition or fee for sending two people to the initial Training Program, although you pay the travel, living expenses and wages for your designees to attend training. The Training Program may include verbal, written, video or audiotaped classroom training and on-the-job training in a KINGS ROAD Espresso Bar. As of the date of this Disclosure Document, our initial Training Program consists of four to five days of instruction, including classroom and hands-on training. We also provide three or four days of follow-up, on-site training at your Espresso Bar at a mutually agreed time at or around opening, to assist you in the opening of your Espresso Bar and to observe your ability to operate the Espresso Bar. If we determine, in our sole discretion, that you or your designees are not able to operate the Espresso Bar in accordance with our standards and specifications, you and your designees may be required to attend additional training which will delay the opening of your Espresso Bar. We may waive some or all of the on-site training or any other part of the initial training program if we determine in our sole discretion that you have sufficient training or experience.

We will make the initial training program available to additional or replacement designees of yours during the term of the Franchise Agreement at our then-published tuition rates. Such tuition is payable in advance. You must pay all travel, living expenses and wages incurred by your employees for this training. The availability of training for additional or replacement designees is subject to prior commitments to new franchisees and is scheduled based on available space.

We may require you, your designees, and previously trained and experienced employees to attend and satisfactorily complete various other training courses, including on-line training that we periodically choose to provide at times and locations that we designate. We will not require attendance at more than two such courses, for more than a total of five days, during any calendar year. Besides attending these courses, you agree to attend an annual meeting of all KINGS ROAD Espresso Bar franchise owners at a location we designate. Attendance at any annual convention will not be required for more than three days during any calendar year. You will be responsible for all costs and expenses associated with such continued training and the annual convention, including our then prevailing tuition (or tuition charged by a third-party provider) and all travel, meals and lodging costs and compensation for your employees.

We require at least one person who has successfully completed the Training Program to be present during all Espresso Bar operating hours. We charge a fee to train new managers or re-train Certified Managers at your Espresso Bar to ensure they are properly trained in our methods.

Instructors for our initial Training Program include our CEO, Lawrence Casperson, Victor Hernandez and Andres Vazquez. Mr. Casperson is the founder of the Kings Road concept and has developed recipes and the systems for operating a KINGS ROAD Espresso Bar. He has operated our affiliate, KRC, and its Kings Road Cafe since 1990. Mr. Hernandez has served as a barista at KRC's Kings Road Cafe for the past 28 years. Mr. Vazquez has served as KRC's Kitchen Manager since its inception.

We currently provide the following initial Training Program to our franchisees on an as-needed basis:

**CERTIFIED BARISTA TRAINING PROGRAM**

| Subject | Hours of Classroom Training | Hours of On-The-Job Training [2] | Location[1] |
|---|---|---|---|
| Orientation; Training Overview | 1 | 0 | Los Angeles, California |
| Industry and Products Introduction | 1 | 0 | Los Angeles, California |
| Customer Service | 2 | 2 | Los Angeles, California |
| Food Preparation | 4 | 2 | Los Angeles, California |
| Drink Preparation - Barista | 4 | 2 | Los Angeles, California |
| Equipment | 2 | 1 | Los Angeles, California |
| Daily Operations Management | 4 | 2 | Los Angeles, California |
| Inventory Management | 2 | 1 | Los Angeles, California |
| Human Resource Management | 2 | 1 | Los Angeles, California |
| Financial Management | 2 | 1 | Los Angeles, California |
| **TOTAL** | **24** | **12** | |

1 We may designate an alternative location.

2 Includes the on-site training that we provide at your Espresso Bar.

## ITEM 12

## TERRITORY

You may operate your KINGS ROAD Espresso Bar and use the Marks and the Licensed Methods only at the Franchised Location which has been approved by us. You may not operate another Espresso Bar at any site other than the Franchised Location without first obtaining our written consent, which will require you acquiring another franchise and entering into another franchise agreement, the terms of which may be materially different than the terms set forth in the Franchise Agreement attached to this Disclosure Document. We base our approval of your proposed Franchised Location on a variety of factors including the visibility and demographics of the proposed Franchised Location. See Item 11. If you execute your Franchise Agreement before you select and we approve a site, we will designate a "**Designated Area**" within which you must find a Franchised Location. The designation of the Designated Area does not in any manner grant to you any continuing territorial rights in or to such Designated Area.

Your Franchise Agreement designates a geographic area ("**Protected Area**") in which we will not establish and operate, or franchise anyone else to establish and operate, other KINGS ROAD Espresso Bars, except as described below. The Protected Area may be defined by a radius around your Espresso Bar, or by zip code boundaries, street boundaries or similar designations. The placement of an Espresso Bar and the designation of a Protected Area by us depends on various demographic and market conditions around a proposed Franchised Location, including density of population, number of competitors and other food uses in the market, site availability, traffic, access and growth potential.

The designation of your Franchised Location, Protected Area or, if applicable, Development Area, does not grant you the exclusive right to any particular market or customers. You may advertise your Espresso Bar in any geographic area and you may serve all customers who enter your Espresso Bar, subject to reasonable restrictions and policies as we may place on your activities which may include, but are not limited to, restrictions and policies regarding: (1) electronic advertising (including Internet advertising); (2) the content, methods, media and means used to advertise, market and promote your Espresso Bar; and (3) limitations on advertising, marketing or conducting business in areas outside of your Protected Area. Other KINGS ROAD Espresso Bar franchisees have the same rights to conduct advertising anywhere and provide services and products to all persons who enter their Espresso Bars, subject to any reasonable restrictions set forth in our Resource Center Materials. You may not use other channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing to make sales outside of your Protected Area without our prior written consent.

You may not change the location of your Franchised Location or your Protected Area without our written consent before making the change. You must also pay us a relocation fee of $5,000 upon our approval for your new location. We will base our approval of your new location on the same variety of factors as your initial proposed Franchise Location. Unless you sign a Development Agreement, described below, you have no option, right of first refusal or similar contractual right to acquire additional KINGS ROAD Espresso Bar franchises. We reserve the right, in our sole discretion, to offer an existing franchisee the first right to purchase an additional franchise in the market area adjacent to that served by the franchisee's existing Franchised Location. Continuation of your rights to the Protected Area is not dependent on achieving a certain sales volume, market penetration or other contingency.

Under the terms of the Development Agreement, we grant to you the right to establish, according to a schedule, a set number of KINGS ROAD Espresso Bars that you and we agree upon within a larger geographical territory ("**Development Area**"). A Development Area is usually defined by street boundaries, city, county or state limits or by other reasonable boundaries. The number of KINGS ROAD Espresso Bars to be developed may be adjusted depending on demographics and other characteristics of a Development Area, including population density, income and other characteristics of the surrounding area, natural boundaries, extent of competition and whether the proposed Development Area is urban, suburban or rural in nature. You do not have a right of first refusal or similar contractual right to acquire additional Espresso Bar franchises in contiguous areas. Except as described below, we may not establish or franchise any other person or entity to establish KINGS ROAD Espresso Bars using the Marks and Licensed Methods within the Development Area for so long as the Development Agreement is in effect. However, nothing in the Development Agreement prevents, prohibits, or otherwise restricts at any time the operation of any Espresso Bars in the Development Area which are operated under any existing franchise agreements, or the grant of successor franchise rights related to such existing franchise agreements.

The continuation of your right to your Development Area during the term of the Development Agreement is dependent on you meeting the Development Schedule in the agreement. The Development Schedule requires you to open and continuously operate at least a certain number of Espresso Bars in the Development Area by certain deadlines. Failure to meet the Development Schedule may result in the termination of your development rights. The termination of your Development Agreement solely for a failure to meet the Development Schedule will not terminate or affect your rights or obligations under any franchise agreements entered into between you and us prior to the date of termination of the Development Agreement. Each Espresso Bar opened under a Development Agreement is subject to the terms and conditions of the franchise agreement entered into for that Espresso Bar as discussed above.

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

We, our affiliates and successors retain the following rights, among others, without payment of compensation to you, under the Franchise Agreement and Development Agreement:

1. To use and to license others to use, the Marks and Licensed Methods in connection with the operation of a KINGS ROAD Espresso Bar, at any location other than the Protected Area and, if applicable, within your Development Area;

2. To use the Marks to identify any type of products and services, promotional and marketing efforts or related items, and to identify products and services distributed or otherwise made available through alternative channels of distribution (other than KINGS ROAD Espresso Bars), at any location, including, but not limited to, sales through channels such as wholesale distribution, Internet marketing and distribution, social media marketing, mail order, catalog, retail displays, or made-to-order or pre-packaged product sales in grocery stores;

3. To use and license the use of different proprietary marks or methods (for example, if we acquire or are acquired by another business that provides products and services similar to or the same as a KINGS ROAD Espresso Bar ) in connection with the sale of products and services similar to or the same as those which you sell, whether in alternative channels of distribution or through owning, developing, operating or franchising other coffee shop concepts which are the same as, or similar to, or different from KINGS ROAD Espresso Bars, at any location, and on any terms and conditions as we determine, although we have no present plans to do so;

4. To use and license others to use the Marks and Licensed Methods to establish KINGS ROAD Espresso Bar at Institutional Facilities at any location, including in your Protected Area and, if applicable, in your Development Area. "**Institutional Facilities**" means outlets that serve primarily customers located within a captive facility, such as parks charging admission, stadiums, amusement parks, theaters, art centers, airports, transportation facilities, department stores, business and industrial complexes, museums, educational facilities, hospitals, military complexes, buyer club facilities, casinos, resorts, hotels, and convention centers; and

5. To engage in any other activities not expressly prohibited in the Franchise Agreement or Development Agreement, if applicable, including, but not limited to, operating or granting any third party the right to operate, any KINGS ROAD Espresso Bar that we or our designees acquire as a result of the exercise of a right of first refusal or purchase right that we may have been granted. We have no present plans to establish other related franchises or company-owned businesses selling similar products or services under a different name or trademark, although, as just stated, we reserve the right to do so.

# ITEM 13

## TRADEMARKS

We license to you the nonexclusive right to use the Marks, including the following trademarks that are either registered or applied to be registered on the Principal Register of the United States Patent and Trademark Office ("**USPTO**"):

| Mark | Serial No./Registration No. | Application/Registration Date |
|---|---|---|
| KINGS ROAD COFFEE | Serial No. 87608274 | September 14, 2017 |

This Mark is owned by KRC. KRC has granted us, in a License Agreement dated March 6, 2018, an exclusive, royalty-free license to use and to permit our franchisees to use this Mark anywhere in the world. The license is for 20 years commencing March 2018, but it will automatically renew for successive 20-year periods if we do not materially breach the License Agreement by engaging in any activity that damages the Mark or the goodwill of the Mark. If the license is terminated, KRC has agreed to license the use of the Mark directly to our franchisees until each franchise agreement expires or is otherwise terminated.

In addition to the Mark listed above, we claim common law service or trademark rights to a number of other words, phrases, or designs that you may use in your Espresso Bar. Currently, none of our Marks are registered with the USPTO, including our principal Mark, KINGS ROAD COFFEE. As such, we do not have a federal registration for our principal Marks. Therefore, these Marks do not have as many legal benefits and rights as a federally registered trademark. If our rights to use these Marks are challenged, you may have to change to an alternative trademark, which may increase your expenses.

You must use the mark "KINGS ROAD COFFEE" as the principal identification of your KINGS ROAD Espresso Bar. You must also identify yourself as an independent owner of your Espresso Bar, in the manner as we may require. You may not use any of the Marks or words that are confusingly similar to the Marks as part of any corporate or trade name or with any prefix to identify unauthorized services or products or in any other manner not expressly authorized in writing by us. Except as permitted in the Resource Center Materials, you may not use any of the Marks as part of an electronic mail address or on any sites on the Internet and you may not use or register any of the Marks as part of a domain name on the Internet. You must modify or discontinue your use of the Marks if we require modification or discontinuance, at your own expense.

As of the date of this Disclosure Document, there are no presently effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, any pending infringement, opposition or cancellation proceedings or material litigation involving the Marks. KRC intends to file required affidavits for the registered Marks. KRC intends to renew our Mark registrations at the appropriate time.

No agreements limit our right to use or license the use of the Marks.

You should bring any uses of names or marks confusingly similar to the Marks to our attention immediately.

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

## ITEM 14

## PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any patents or copyright registrations or any pending patent or copyright applications which are material to the franchise. We consider our Resource Center Materials and related materials, training materials, our recipes and coffee and food preparation techniques, our Licensed Methods and any program that we develop as our proprietary and confidential property. They may be used by you only as described in the Franchise Agreement. We require that you maintain the confidentiality of our proprietary information and adopt reasonable procedures to safeguard our written materials and prevent unauthorized disclosure of our trade secrets and proprietary information, such as requiring that you enter into a nondisclosure and noncompetition agreement with each of your employees. Although we have not obtained a copyright registration, we own the copyright in our Resource Center Materials, training materials, advertising materials and other works.

We may, in our discretion, require you and each of your officers, partners, directors, beneficial owners and employees who become aware of or have access to our confidential information, and their immediate family members, to execute our Nondisclosure and Noncompetition Agreement in the form attached to this Disclosure Document as Exhibit C. You must provide us with a copy of each Nondisclosure and Noncompetition Agreement at the time it is signed and thereafter upon our request.

## ITEM 15

## OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You are not required to participate personally in the direct operation of your Espresso Bar. If you do not participate in the day-to-day operation of the Espresso Bar, however, two managers ("**Certified Managers**") must be appointed who are responsible for the direct on-premises supervision of the Espresso Bar at all times during its hours of operation and on a full-time basis. Your Certified Managers may not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitment, or otherwise may conflict with his or her obligations to operate and manage the Espresso Bar. We do not require that your Certified Managers own an equity interest in the franchisee entity or in the Espresso Bar, but they must complete the Training Program. If you sign a Development Agreement, for each Espresso Bar that you operate under a franchise agreement signed pursuant to the Development Agreement, you must designate one or more Certified Baristas to be responsible for the supervision and management of the Espresso Bar on a full-time basis.

If you sign a Development Agreement, for each KINGS ROAD Espresso Bar under a Franchise Agreement signed thereunder that will be owned by an Approved Affiliate (see Item 1), you must identify one of your principals who has a minimum of 15 percent ownership interest in the Approved Affiliate and who is (at all times) reasonably acceptable to us (the "**Managing Owner**"). The Managing Owner must supervise and direct the operations of each Espresso Bar owned by that Approved Affiliate, but is not required to be engaged in the day-to-day operations of the Espresso Bars. The Managing Owner must successfully complete our mandatory initial Training Program.

You are responsible for recruiting, appointing, hiring, firing, and supervising your Certified Managers, employees, independent agents, and other representatives. You are solely responsible for implementing training and other programs for your employees and agents related to the legal, safe, and proper performance of their work, regardless of the fact that we may provide advice, suggestions, and certain training programs. The advice, suggestions, and training we provide are to protect our brand and the Marks and not to control the day-to-day operation of your Espresso Bar. You will have sole authority and control over the day-to-day operations of the Espresso Bar and its employees and other representatives.

You and each of your officers, directors, shareholders, partners and members may also be required to sign an agreement (Attachment II to Franchise Agreement) personally guaranteeing and agreeing to perform all obligations of the franchisee under the Franchise Agreement.

Except as stated, we make no other recommendations and have no requirements regarding employment or other written agreements between you and your employees.

## ITEM 16

## RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may sell only those products and services approved by us and may not use the KINGS ROAD Espresso Bar or the Franchised Location for any purposes other than the operation of an Espresso Bar. You may not fill "wholesale orders" sell products or services off-premises, by mail order or through catalogs or the Internet, or transship or reship products. You may not offer catering or delivery services without our prior written consent, and only in accordance with our standards and specifications for these services. You must sell all of the products and services approved by us. You must comply with our standards and specifications. You must prepare all of the food and drinks sold at your Espresso Bar in accordance with our recipes and using the ingredients we approve. You may only sell the items we approve from time to time and you must use the ingredients we specify. You must comply with the terms of any mandatory product recall promptly upon receipt of notice from us of such recall. We have the right to change or supplement the types of authorized services and products, including additional menu items, and there are no limits on our right to do so.

Other than the above, there are no restrictions on goods or services offered by you or on the customers to whom you may sell.

## ITEM 17

### RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

### THE FRANCHISE RELATIONSHIP

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

| Provision | Section in Franchise Agreement or Development Agreement | Summary |
|---|---|---|
| (a) Length of the franchise term | Section 18.1 of Franchise Agreement ("**FA**"); Section 4.1 of Development Agreement ("**MUDA**") | 10 years for the Franchise Agreement. For the Development Agreement: the term extends until the earlier of the date that you sign the Franchise Agreement for the final Espresso Bar to be developed under the Development Agreement or the deadline in the development schedule for signing that Franchise Agreement. |
| (b) Renewal or extension of the term | Sections 18.3 and 18.4 of FA | If you meet certain criteria, you may acquire successor franchise rights for the term stated in the then current Franchise Agreement. |
| (c) Requirements for franchisee to renew or extend | Section 18.3 of FA | Provide notice to us, no more than 3 defaults, remodel Espresso Bar, pay fee, sign new agreement and a Successor Franchise Rider in the form attached as Exhibit E containing a release. If you seek to acquire successor franchise rights, you may be required to sign a contract with materially different terms and conditions than your original contract. |
| (d) Termination by franchisee | Section 4.2 of MUDA | For the Franchise Agreement: Not applicable. For the Development Agreement: You may terminate for any reason upon 60 days' notice. |
| (e) Termination by franchisor without cause | Not applicable | Not applicable |
| (f) Termination by franchisor with cause | Sections 19.1 and 19.2 of FA; Sections 4.3 and 4.4 of MUDA | We can terminate only if you commit any one of several listed violations. |

| Provision | Section in Franchise Agreement or Development Agreement | Summary |
|---|---|---|
| (g) "Cause" defined-curable defaults | Sections 19.1 and 19.2 of FA; Section 4.3 of MUDA | For the Franchise Agreement: 48 hours for misuse of the Marks, purchases from unapproved suppliers, or other failures to comply with Resource Center Materials or other standards, 5 days for monetary defaults, 7 days for filing of a legal action in violation of the dispute resolution terms in the Franchise Agreement, and generally 30 days for other defaults. For the Development Agreement: 30 days' notice for breach. |
| (h) "Cause" defined-non-curable defaults | Section 19.1 of FA | For the Franchise Agreement: Unauthorized disclosure, conviction of a crime, abandonment, unapproved transfers, bankruptcy[1], assignment for benefit of creditors, unsatisfied judgments, levy, foreclosure, repeated violations, violate restrictive covenants, two insufficient funds checks, health and safety, misrepresentations, sexual harassment or discrimination, breach of other agreements between us or any of our affiliates and you or any of your affiliates, guaranty becomes unenforceable or inadequate, you become subject to the PATRIOT Act. |
| (i) Franchisee's obligations on termination/non-renewal | Section 19.3 of FA; Section 4.5 of MUDA | Pay outstanding amounts, de-identification of Espresso Bar, return of confidential information, covenant not to compete (see also r. below), others. |
| (j) Assignment of contract by franchisor | Section 17.5 of FA; Section 5.1 of MUDA | No restriction on our right to assign. |
| (k) "Transfer" by franchisee – defined | Section 17.1 of FA; Section 5.2 of MUDA | Includes transfer of Franchise Agreement or Espresso Bar or any change in ownership of franchisee entity, or the transfer of the assets of the Espresso Bar. |
| (l) Franchisor approval of transfer by franchisee | Sections 17.3 and 17.7 of FA; Section 5.2 of MUDA | We have the right to approve all transfers, we may not unreasonably withhold our consent. We have the right to approve any public or private offering. |

| Provision | Section in Franchise Agreement or Development Agreement | Summary |
|---|---|---|
| (m) Conditions for franchisor approval of transfer | Sections 17.2 and 17.7 of FA; Sections 5.2 and 5.3 of MUDA | For the Franchise Agreement: The following conditions will apply: Transferee qualifies, all amounts due are paid in full and any defaults cured, transferee completes training, transfer fee paid, then current contract signed (which may contain terms and conditions materially different from the original Franchise Agreement), franchisee signs general release, noncompetition covenant, if requested upgrade Espresso Bar, transferor remains liable. Review of public or private offering materials. For the Development Agreement: The following conditions will apply in addition to those listed above: Fee for each undeveloped Espresso Bar paid. |
| (n) Franchisor's right of first refusal to acquire franchisee's business | Not Applicable | Not Applicable |
| (o) Franchisor's option to purchase franchisee's business | Not Applicable | Not Applicable |
| (p) Death or disability of franchisee | Section 17.6 of FA | Franchise must be assigned to approved buyer within 180 days. |
| (q) Non-competition covenants during the term of the franchise | Section 21.1 of FA; Section 6.1 of MUDA | No involvement in competing business and no diversion of customers or employees. |
| (r) Non-competition covenants after the franchise is terminated or expires | Section 21.2 of FA; Section 6.1 of MUDA | No competing business for 2 years within 10 miles of your Espresso Bar or any other Espresso Bar. |

| Provision | Section in Franchise Agreement or Development Agreement | Summary |
|---|---|---|
| (s) Modification of the agreement | Section 24.1 of FA; Section 8.5 of MUDA | The Resource Center Materials are subject to change. The Franchise Agreement may be modified by a writing signed by both parties or, at our option, upon approval of 75% of our franchisees affected by the modification. Unless prohibited by law or waived by us, you must provide a general release of any and all claims against us if you request and we consent to modify any provisions of the Franchise Agreement after it has been signed. The Development Agreement may be modified only by a writing signed by both parties. |
| (t) Integration/merger clause | Section 24.2 of FA; Section 8.6 of MUDA | Only terms of Franchise Agreement or Development Agreement are binding (subject to state law). Any promises outside this Disclosure Document, the Franchise Agreement or the Development Agreement may not be enforceable. No provision in the Franchise Agreement or the Development Agreement is intended to disclaim express representations made in this Disclosure Document. |
| (u) Dispute resolution by arbitration or mediation | Article 23 of FA; Section 8.1 of MUDA | Arbitration or litigation in Denver, Colorado (subject to state law). |
| (v) Choice of forum | Article 23 of FA; Section 8.1 of MUDA | Arbitration or litigation in Denver, Colorado (subject to state law). You and we agree to waive our rights to a jury. |
| (w) Choice of law | Section 23.5 of FA; Section 8.1 of MUDA | Colorado law applies (subject to state law). The Colorado Consumer Protection Act does not apply. |

[1] This provision may not be enforceable under federal bankruptcy law.

## ITEM 18

## PUBLIC FIGURES

There is no compensation or other benefit given or promised to any public figure arising from either the use of the public figure in the name or symbol of the franchise or the endorsement or recommendation of the franchise by the public figure in advertisements. There are no public figures involved in our management.

The Franchise Agreement does not prohibit you from using the name of a public figure or celebrity in your promotional efforts or advertising; however, the use of a public figure in any promotional efforts or advertising requires our prior approval.

## 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 representations 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 Lawrence Casperson, 4014 South Lemay Ave. # 26, Fort Collins, Co., 80525, 213-361-0335, the Federal Trade Commission, and the appropriate state regulatory agencies.

# ITEM 20

## OUTLETS AND FRANCHISEE INFORMATION

### ITEM 20 TABLE NO. 1
### SYSTEMWIDE OUTLET SUMMARY
### FOR YEARS 2015 TO 2017(1)

| Column 1<br><br>Outlet Type | Column 2<br><br>Year | Column 3<br><br>Outlets at the Start of the Year | Column 4<br><br>Outlets at the End of the Year | Column 5<br><br>Net Change |
|---|---|---|---|---|
| Franchised | 2015 | 0 | 0 | 0 |
| | 2016 | 0 | 0 | 0 |
| | 2017 | 0 | 0 | 0 |
| Company Owned | 2015 | 0 | 0 | 0 |
| | 2016 | 0 | 0 | 0 |
| | 2017 | 0 | 0 | 0 |
| **Total Outlets** | **2015** | **0** | **0** | **0** |
| | **2016** | **0** | **0** | **0** |
| | **2017** | **0** | **0** | **0** |

(1) All numbers are as of December 31st of each year.

### ITEM 20 TABLE NO. 2
### TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN FRANCHISOR)
### FOR YEARS 2015 TO 2017(1)

| Column 1<br><br>State | Column 2<br><br>Year | Column 3<br><br>Number of Transfers |
|---|---|---|
| | 2015 | 0 |
| | 2016 | 0 |
| | 2017 | 0 |
| **Totals** | **2015** | **0** |
| | **2016** | **0** |
| | **2017** | **0** |

(1) All numbers are as of December 31st of each year.

## ITEM 20 TABLE NO. 3
## STATUS OF FRANCHISED OUTLETS
## FOR YEARS 2015 TO 2017[1]

| Column 1<br>State | Colum n 2<br>Year | Column 3<br>Outlets at Start of Year | Column 4<br>Outlets Opened | Column 5<br>Termina-tions | Column 6<br>Non-Renewals | Column 7<br>Reacquired by Franchisor | Column 8<br>Ceased Operations -Other Reasons | Column 9<br>Outlets at End of Year |
|---|---|---|---|---|---|---|---|---|
| Totals | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

(1) All numbers presented above are as of December 31st of each year.

## ITEM 20 TABLE NO. 4
## STATUS OF COMPANY/AFFILIATE-OWNED OUTLETS
## FOR YEARS 2015 TO 2017[1

| Column 1<br>State | Column 2<br>Year | Column 3<br>Outlets at Start of Year | Column 4<br>Outlets Opened | Column 5<br>Outlets Reacquired From Franchisee | Column 6<br>Outlets Closed | Column 7<br>Outlets Sold to Franchisee | Column 8<br>Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| Totals | 2015 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2017 | 0 | 0 | 0 | 0 | 0 | 0 |

(1) All numbers presented above are as of December 31st of each year.

## ITEM 20 TABLE NO. 5
## PROJECTED OPENINGS AS OF DECEMBER 31, 2017

| Column 1<br>State | Column 2<br>Franchise Agreements Signed But Outlet Not Opened | Column 3<br>Projected New Franchised Outlets in the Next Fiscal Year | Column 4<br>Projected New Company Owned Outlets in the Next Fiscal Year |
|---|---|---|---|
| California | 0 | 2 | 0 |
| **TOTALS** | **0** | **2** | **0** |

A list of the names of all franchisees and the addresses and telephone numbers of their KINGS ROAD Espresso Bar are listed in Exhibit H attached to this Disclosure Document. A list of the name, current business address and telephone number (or, if unknown, the last known home telephone number) of every franchisee who has had a KINGS ROAD Espresso Bar terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the last fiscal year or who has not communicated with us within 10 weeks of the date of this Disclosure Document is listed on Exhibit I attached to this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have not signed confidentiality clauses with current or former franchisees restricting their ability to speak openly about their experience with us or the KINGS ROAD Espresso Bar franchise program.

In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experience with us or the KINGS ROAD Espresso Bar franchise system. You may wish to speak with current and former franchisees, if any, but be aware that not all of those franchisees will be able to communicate with you.

No independent franchisee organizations have asked to be included in this Disclosure Document. As of the date of this Disclosure Document, there are no trademark-specific franchisee organizations associated with the franchise system that have been created, sponsored or endorsed by us.

## ITEM 21

## FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit J is our audited balance sheet as of December 31, 2017, together with the accompanying audit reports. We have not been in business for three years and therefore cannot include financial statements for the past three years. Our fiscal year-end is December 31st.

## ITEM 22

## CONTRACTS

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

| | | |
|---|---|---|
| Exhibit A | Franchise Agreement | |
| | Attachment I | Addendum to Franchise Agreement |
| | Attachment II | Guaranty and Assumption of Franchisee's Obligations |
| | Attachment III | Statement of Ownership |
| | Attachment IV | Conditional Assignment of Lease |
| | Attachment V | Authorization Agreement for Preauthorized Payments |
| | Attachment VI | Riders to Franchise Agreement for Specific States |
| Exhibit B | Multi-Unit Development Agreement | |
| | Attachment I | Addendum to Multi-Unit Development Agreement |
| Exhibit C | Nondisclosure and Noncompetition Agreement | |
| Exhibit D | Closing Acknowledgement | |
| Exhibit E | Successor Franchise Rider to Franchise Agreement | |
| Exhibit F | Form of General Release | |

## ITEM 23

## RECEIPTS

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

# EXHIBIT A
# (TO DISCLOSURE DOCUMENT)

## KINGS ROAD FRANCHISING LLC
## FRANCHISE AGREEMENT

Franchisee:__________________________________
Date:_______________________________________
Franchised Location:__________________________

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ATTACHMENTS

## KINGS ROAD FRANCHISING LLC
## FRANCHISE AGREEMENT

**THIS AGREEMENT** (the "**Agreement**") is made effective as of the date set forth on the signature page hereof, by and between **KINGS ROAD FRANCHISING LLC**, a Colorado limited liability company, located at 4014 South Lemay Ave., #26, Fort Collins, Colorado 80525 ("**Kings Road**") and the franchisee named on the signature page of this Agreement (the "**Franchisee**"), who, on the basis of the following understandings and agreements, agree as follows:

### 1. PURPOSE

**1.1** Kings Road has developed methods for establishing, operating and promoting neighborhood style coffee shops ("**KINGS ROAD Espresso Bars**" or "**Espresso Bars**") featuring Kings Road's special blends of coffees, espresso drinks, teas and related drinks, and a limited menu of easy-to-prepare breakfast and lunch items, using the mark "KINGS ROAD COFFEE$^{SM}$" and related trade names and trademarks ("**Marks**") and Kings Road's proprietary recipes and distinctive ingredients, business format, systems, methods, procedures, designs, layouts, advertising and operational standards and specifications, and various other proprietary methods of doing business ("**Licensed Methods**").

**1.2** Kings Road grants the right to others to develop and operate KINGS ROAD Espresso Bars under the Marks and pursuant to the Licensed Methods.

**1.3** Franchisee desires to establish a KINGS ROAD Espresso Bar at a location identified herein or to be later identified, and Kings Road desires to grant Franchisee the right to operate a KINGS ROAD Espresso Bar at such location under the terms and conditions which are contained in this Agreement.

### 2. GRANT OF FRANCHISE

**2.1** **Grant of Franchise**. Kings Road grants to Franchisee, and Franchisee accepts from Kings Road, the right to use the Marks and Licensed Methods in connection with the establishment and operation of one KINGS ROAD Espresso Bar, at the location described in Article 3 of this Agreement. Franchisee agrees to use the Marks and Licensed Methods, as they may be changed, improved, and further developed by Kings Road from time to time, only in accordance with the terms and conditions of this Agreement.

**2.2** **Scope of Franchise Operations**. Franchisee shall at all times comply with Franchisee's obligations hereunder and shall continuously use best efforts to promote and operate the KINGS ROAD Espresso Bar. Franchisee shall utilize the Marks and Licensed Methods to operate all aspects of the business franchised hereunder in accordance with the methods and systems developed and prescribed from time to time by Kings Road, all of which are a part of the Licensed Methods. Franchisee's KINGS ROAD Espresso Bar shall offer all products and services as Kings Road shall designate and shall be restricted from offering or selling any products and services not previously approved by Kings Road in writing. If Franchisee is a corporation, partnership, limited liability company or other entity, Franchisee shall not engage in any business other than the operation of the KINGS ROAD Espresso Bar.

### 3. FRANCHISED LOCATION AND TERRITORIAL RIGHTS

**3.1** **Franchised Location**. Franchisee is granted the right and franchise to own and operate a KINGS ROAD Espresso Bar at the address and location which shall be set forth in Attachment I, attached to this Agreement ("**Franchised Location**"). If, at the time of execution of this Agreement, the Franchised Location cannot be designated as a specific address because a location has not been selected and approved, then Franchisee shall promptly take steps to choose and acquire a location for its KINGS ROAD Espresso

Bar within the "**Designated Area**," set forth in Attachment I. In such circumstances, Franchisee shall select and propose to Kings Road for Kings Road's prior approval a specific location for the Franchised Location which, once approved by Kings Road, shall then be described in the rider to Attachment I.

3.2 **Protected Area**. Subject to Kings Road's reservation of rights described in Section 3.4 below, Kings Road shall not establish and operate, or franchise another person or entity to establish and operate, a KINGS ROAD Espresso Bar within the geographic area described in Attachment I, attached hereto (the "**Protected Area**"). However, nothing in this Agreement restricts any Kings Road-owned or franchised KINGS ROAD Espresso Bars from advertising in, or soliciting customers from, Franchisee's Protected Area. Franchisee does not have exclusive rights to the customers in its Protected Area.

3.3 **Limitation on Franchise Rights**. The rights that are granted to Franchisee are for the specific Franchised Location and Protected Area and cannot be transferred to an alternative Franchised Location and Protected Area, or any other location, without the prior written approval of Kings Road, which approval may be withheld for any reason, in Kings Road's sole discretion. Franchisee shall not operate another KINGS ROAD Espresso Bar, offer products or services which are part of the Licensed Methods at any site other than the Franchised Location, fill wholesale orders, sell products or services by mail order or through catalogs or the Internet, offer products or services at temporary venues, transship or reship products, or offer any other type of off-site service or sale of products. Franchisee may offer catering or delivery services in the Protected Area with Kings Road's prior written approval, and only in accordance with Kings Road's standards and specifications for offering such services.

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

a. to use, and to license others to use, the Marks and Licensed Methods in connection with the operation of a KINGS ROAD Espresso Bar, at any location other than within the Protected Area;

b. to use the Marks to identify any type of products and services, promotional and marketing efforts or related items, and to identify products and services distributed or otherwise made available through alternative channels of distribution (other than KINGS ROAD Espresso Bars ), at any location, and on any terms and conditions as Kings Road determines including, but not limited to, sales through channels such as wholesale or retail distribution, Internet marketing and distribution, social media marketing, mail order, catalog, retail store display or made-to-order or pre-packaged product sales in grocery stores, at any location;

c. to use and license the use of different proprietary marks or methods (for example, if Kings Road acquires or is acquired by another business that provides products and services similar to or the same as a KINGS ROAD Espresso Bar ) in connection with the sale of products and services similar to or the same as those which Franchisee sells, whether in alternative channels of distribution or through owning, developing, operating or franchising stores which are the same as, or similar to, or different from KINGS ROAD Espresso Bars, at any location, and on any terms and conditions as determined by Kings Road;

d. to use and license others to use the Marks and Licensed Methods to establish KINGS ROAD Espresso Bars at Institutional Facilities at any location. "**Institutional Facilities**" means outlets that serve primarily customers located within a captive facility, such as parks charging admission, stadiums, amusement parks, theaters, art centers, airports, transportation facilities, department stores, business and industrial complexes, museums, educational facilities, hospitals, military complexes, buyer club facilities, casinos, resorts, hotels, and convention centers. Kings Road, on behalf of itself, its affiliates and designees, reserves the right to contract with Institutional Facilities to develop and operate KINGS ROAD Espresso Bars within these facilities; and

e. to engage in any other activities not expressly prohibited under the terms of this Agreement, including but not limited to, operating or granting any third party a right to operate any KINGS ROAD Espresso Bars that Kings Road or its designees have acquired as a result of a purchase right that Kings Road may have by separate agreement at any location.

## 4. INITIAL FRANCHISE FEE

**4.1** **Initial Franchise Fee**. In consideration for the right to develop and operate one KINGS ROAD Espresso Bar, Franchisee shall pay to Kings Road the initial franchise fee in the amounts and at the times set forth in Attachment I. Franchisee acknowledges that the entire initial franchise fee represents payment for the initial grant of the rights to use the Marks and Licensed Methods, and for training and certification, and that Kings Road has earned the franchise fee upon execution of this Agreement, and that the fee is under no circumstances refundable to Franchisee, unless otherwise specifically set forth in this Agreement.

## 5. DEVELOPMENT OF FRANCHISED LOCATION

**5.1** **Approval of Franchised Location**. Franchisee shall locate, within 90 days after the date of execution of this Agreement, a Franchised Location which is suitable for the operation of the KINGS ROAD Espresso Bar and have it accepted by Kings Road. Franchisee shall seek Kings Road's approval of any site proposed as a Franchised Location, by submitting such site submittal information, including demographics and other materials requested by Kings Road. Franchisee acknowledges and agrees that Kings Road's acceptance of a site and any information provided by Kings Road regarding the site does not constitute a representation or warranty of any kind, express or implied, as to the suitability of the site for a KINGS ROAD Espresso Bar. If Kings Road must disapprove of any site proposed by Franchisee, Kings Road will grant Franchisee an additional, reasonable period of time to obtain approval of a Franchised Location, as may be determined in Kings Road's sole but reasonable business judgment.

**5.2** **Approval of Site Acquisition or Lease**. Franchisee shall obtain Kings Road's prior written approval before executing any lease for the Franchised Location. If Franchisee leases the Franchised Location, Franchisee shall ensure that the lease for the Franchised Location contains a use clause approved by Kings Road. Franchisee shall deliver a copy of the signed lease for the Franchised Location to Kings Road within 15 days of its execution. Franchisee acknowledges that approval of a lease for the Franchised Location by Kings Road is for Kings Road's benefit only and does not constitute a recommendation, endorsement or guarantee by Kings Road of the suitability or profitability of the location, the lease and Franchisee should take all steps necessary to ascertain whether such location and lease are acceptable to Franchisee.

**5.3** **Construction, Conversion and Design**. Franchisee shall obtain Kings Road's written consent to any conversion, improvements, design or decoration of the premises before construction, remodeling or decorating begins, recognizing that any related costs are Franchisee's sole responsibility. Kings Road will assist Franchisee in developing a recommended workflow design and equipment layout for Franchisee to use in designing the layout for the Franchised Location. Kings Road will review and provide comments on any blueprints or other drawings for the Franchised Location provided by Franchisee, however, it shall be Franchisee's sole responsibility to have prepared all required site plans, blueprints and construction plans to suit the dimensions of the Franchised Location and to ensure compliance with all applicable federal, state and local laws, regulations and codes including the Americans With Disabilities Act, and any lease or purchase agreement. Franchisee acknowledges that approval of a drawing or layout for the Franchised

Location by Kings Road does not constitute a recommendation, endorsement or guarantee by Kings Road of the suitability or profitability of the location, layout or design of the KINGS ROAD Espresso Bar.

**5.4** **Signs**. Franchisee shall purchase or otherwise obtain for use at the Franchised Location and in connection with the KINGS ROAD Espresso Bar signs which comply with the standards and specifications of Kings Road as set forth in the Resource Center Materials, as that term is defined in Section 8.1. It is Franchisee's sole responsibility to ensure that any signs comply with applicable local ordinances, mall regulations, building codes and zoning regulations. Any modifications to Kings Road's standards and specifications for signs which must be made due to local ordinances, codes or regulations shall be submitted to Kings Road for prior written approval. Franchisee acknowledges the Marks, or any other name, symbol or identifying marks on any signs shall only be used in accordance with Kings Road's standards and specifications and only with the prior written approval of Kings Road.

**5.5** **Equipment and Inventory**. Franchisee shall purchase or otherwise obtain for use or sale at the Franchised Location and in connection with the KINGS ROAD Espresso Bar equipment and inventory of a type and in an amount which complies with the standards and specifications of Kings Road. Franchisee acknowledges that the type, quality, configuration, capability and performance of the equipment, inventory and other products and services used or offered through the KINGS ROAD Espresso Bar are all standards and specifications which are a part of the Licensed Methods and therefore such equipment, inventory, products and other items must be purchased, leased or otherwise obtained in accordance with Kings Road's standards and specifications and only from Kings Road, its affiliates or suppliers approved or designated by Kings Road.

**5.6** **POS System, Computers and Telecommunications**. Franchisee shall equip the KINGS ROAD Espresso Bar with a point-of-sale computer-based cash register system ("**POS System**"), computers and other equipment as designated by Kings Road and as otherwise necessary to accurately record and report information concerning the operation of the Espresso Bar. Such equipment may include a POS System, back office computer hardware, software and other designated equipment. Franchisee shall be required to purchase and use a designated POS System from a designated supplier of Kings Road. Kings Road may designate replacement or additional mandatory computer equipment, software, and other equipment upon 30 days' notice, which Franchisee must acquire and implement. Kings Road shall be entitled to independently access sales and other information about the performance of the KINGS ROAD Espresso Bar, and Franchisee shall cooperate with Kings Road to allow such access. Franchisee is also required to own and use a smart phone or other device agreed to in writing by Kings Road meeting Kings Road's standards and specifications that can and will be kept on and used to receive and send communications via SMS, as defined in Section 8.4. Franchisee shall be responsible for all ongoing license, support, maintenance and update costs to facilitate operation of the computer hardware, the POS System and the computer.

Franchisee, at Franchisee's sole cost, shall join a high-speed electronic network connection service to facilitate communication between Kings Road and Franchisee including, but not limited to, a website that includes an email system and the Resource Center Materials that include manuals, advertising and other information maintained by Kings Road, and participation in Kings Road's online ordering system. At any time on 30 days' notice, Kings Road may require Franchisee to purchase additional hardware or software that meets Kings Road's minimum specifications and pay a related technology fee. Franchisee's participation and communications on the Internet and on the Resource Center Materials site will be governed by the standards, specifications and guidelines periodically established by Kings Road. Kings Road reserves the right to require that Kings Road shall be given independent access to information and data regarding the KINGS ROAD Espresso Bar through a high-speed Internet connection or other means designated by Kings Road.

**5.7 Permits and Licenses**. Franchisee agrees to obtain all permits and certifications as may be required for the lawful construction and operation of the KINGS ROAD Espresso Bar, together with all certifications from government authorities having jurisdiction over the site that all requirements for construction and operation have been met, including without limitation, zoning, access, sign, health, safety requirements, building and other required construction permits, licenses to do business and fictitious name registrations, sales tax permits, health and sanitation permits and ratings and fire clearances.

**5.8 Commencement of Operations**. Unless otherwise agreed to in writing by Kings Road and Franchisee, Franchisee shall, within the earlier of 180 days after signing the lease for the Franchised Location or one year from the date of this Agreement: (1) secure all necessary financing for the Espresso Bar ; (2) complete the initial training program described in Section 6.1 of this Agreement; (3) select, purchase or lease and build-out the Franchised Location; (4) purchase or lease and have installed signs, counters, furniture, equipment and software as meets the standards and specifications of Kings Road; (5) purchase an opening inventory of products and supplies; (6) obtain and provide evidence of insurance as described in Section 22.1 below; (7) obtain all requisite licenses and permits; and (8) commence operation of the KINGS ROAD Espresso Bar. Franchisee will be deemed to have commenced operations of the KINGS ROAD Espresso Bar at the time that the KINGS ROAD Espresso Bar is first open to any paying customers. Kings Road may, in its sole discretion, extend the time in which Franchisee has to commence operations for a reasonable period of time in the event factors beyond Franchisee's reasonable control prevent Franchisee from meeting this development schedule, so long as Franchisee has made reasonable and continuing efforts to comply with such development obligations and Franchisee requests, in writing, an extension of time in which to have its KINGS ROAD Espresso Bar established before the development period lapses. Kings Road reserves the right to conduct a walk-through of the Espresso Bar premises following notification from Franchisee that the Espresso Bar is ready to commence operations. If Kings Road conducts a walk-through of the Espresso Bar premises, Kings Road will provide Franchisee with a written list of anything that must be done or changed in the Espresso Bar prior to opening or promptly after opening. Franchisee shall obtain Kings Road's approval prior to opening the Espresso Bar for business. Franchisee will not be permitted to open the Espresso Bar until it is fully furnished and equipped, inventory has been purchased, the Espresso Bar has been fully stocked with menu items, and Franchisee's employees have been trained.

## 6. TRAINING

**6.1 Initial Training Program**. Two individuals designated by Franchisee to assume primary responsibility for the management of the KINGS ROAD Espresso Bar and approved by Kings Road (each a "**Certified Manager**"), are required to attend and successfully complete the initial training program which is offered by Kings Road at one of Kings Road's designated training facilities. These two individuals are eligible to participate in Kings Road's initial training program without charge of a tuition or fee, provided that these individuals attend training together. Only individuals with management responsibility for the KINGS ROAD Espresso Bar may attend Kings Road's initial training program. Franchisee shall be responsible for any and all traveling expenses, living expenses and wages incurred by Franchisee and its employees in connection with attendance at the training program. Training participants will not receive any compensation from Kings Road while attending Kings Road's training. At least one individual responsible for managing the day-to-day operations of the Espresso Bar must successfully complete the initial training program prior to Franchisee's commencement of operation of its KINGS ROAD Espresso Bar.

**6.2 Length of Training**. The initial training program shall consist of an initial introductory webinar followed by a total of approximately four to five days of instruction and on-the-job training at a location designated by Kings Road and approximately three to four days of on-site observation and consultation at the Franchised Location at or near the time the Espresso Bar commences operations. Franchisee must provide Kings Road 60 days' notice in advance of Franchisee's commencement of business so that Kings Road may arrange for the on-site services. At least one Certified Manager must attend the on-site observation and consultation at the Franchised Location. If Kings Road's trainers observe that the Certified Managers are not operating the Espresso Bar in accordance with Kings Road's standards and specifications, the Certified Managers will be required to attend additional training which may delay the opening of the Espresso Bar. Kings Road will not be liable for any costs associated with a delay in opening the Espresso Bar resulting from the Certified Managers not being prepared to open the Espresso Bar, Kings Road reserves the right to waive all or a portion of the training program or alter the training schedule, if this Agreement is not for Franchisee's first KINGS ROAD Espresso Bar or if, in Kings Road's sole discretion, the Certified Managers have sufficient prior experience or training.

**6.3** <u>**Additional Training**</u>. Kings Road has the right to require that Certified Managers and designated employees attend and satisfactorily complete training courses from time to time, including online training, and other continuing development programs and meetings that Kings Road may periodically choose to provide at times and locations Kings Road shall designate. Kings Road shall give Franchisee at least 30 days' prior written notice of any training courses or programs which are deemed mandatory and shall not require in-person attendance at additional training more than two times, totaling five days, in any calendar year. Franchisee (or, if Franchisee is not an individual, an owner designated by Kings Road) shall attend an annual convention of franchise owners. If there is a charge for any mandatory training program or the annual convention, such charge will be at Kings Road's then current, published rate, and Franchisee will be responsible for all traveling and living expenses which are associated with attendance at the training program or convention. Kings Road reserves the right to charge a fee or tuition for any training that Franchisee requests.

## 7. DEVELOPMENT ASSISTANCE

**7.1** <u>**Kings Road's Development Assistance**</u>. Kings Road shall provide Franchisee with assistance in the initial establishment of the KINGS ROAD Espresso Bar as follows:

a. Provision of the initial training program to be conducted at Kings Road's designated training facilities or at another location designated by Kings Road, as described in <u>Article 6</u> above.

b. Provision of specifications for a Franchised Location which shall include, without limitation, recommendations for space requirements, build out and the demographics and character of the surrounding market area. Franchisee acknowledges that Kings Road shall have no other obligation to provide assistance in the selection and approval of a Franchised Location other than the provision of such recommendations and approval or disapproval of a proposed Franchised Location, which approval or disapproval shall be based on information submitted to Kings Road in a form sufficient to assess the proposed location as may be reasonably required by Kings Road.

c. Provision of a layout of a KINGS ROAD Espresso Bar to be used to design the Franchised Location.

d. Information regarding the selection of suppliers of equipment, items and materials used and food and beverage products and merchandise offered for sale in connection with the KINGS ROAD Espresso Bar. After execution of this Agreement, Kings Road will provide Franchisee with a list of approved suppliers, if any, of such equipment, items, materials, inventory and services and, if available, a description of any regional or central purchase and supply agreements offered by such approved suppliers for the benefit of Kings Road franchisees.

e. Provision of electronic access to, or a written copy of, Kings Road's Resource Center Materials, defined and described in Section 8.1 below.

f. Assistance in determining the scope of and approach to Franchisee's initial marketing campaign for the opening of the KINGS ROAD Espresso Bar including access to previously approved marketing materials.

## 8. RESOURCE CENTER MATERIALS

**8.1** **Resource Center Materials**. Kings Road shall make available to Franchisee one or more manuals, technical bulletins, or other written or electronic materials (collectively referred to as "**Resource Center Materials**") covering certain standards, specifications and operating and marketing procedures that Kings Road requires Franchisee to utilize in developing and operating its KINGS ROAD Espresso Bar. The Resource Center Materials are designed to protect Kings Road's reputation and the goodwill of the Marks, they are not designed to control the day-to-day operations of Franchisee's KINGS ROAD Espresso Bar. Franchisee shall comply with the mandatory portions of the Resource Center Materials as an essential aspect of its obligations under this Agreement and failure by Franchisee to substantially comply with the mandatory portions of the Resource Center Materials may be considered by Kings Road to be a breach of this Agreement.

**8.2** **Confidentiality of Resource Center Materials**. Franchisee shall use the Marks and Licensed Methods only as specified in the Resource Center Materials. The Resource Center Materials are the sole property of Kings Road and shall be used by Franchisee only during the term of this Agreement and in strict accordance with the terms and conditions hereof. Franchisee shall not duplicate the Resource Center Materials nor disclose its contents to persons other than Franchisee's employees or officers who have signed a confidentiality and noncompetition agreement in a form approved by Kings Road. Franchisee shall return any written portions of the Resource Center Materials to Kings Road and permanently delete any and all electronic copies of the same upon the expiration, termination or assignment of this Agreement.

**8.3** **Changes to Resource Center Materials**. Kings Road reserves the right to revise the Resource Center Materials from time to time as it deems necessary to update or change operating and marketing techniques or standards and specifications. Franchisee, upon receipt of any updated information, shall update its copy of the Resource Center Materials as instructed by Kings Road and shall conform its operations with the updated provisions within 10 days of receipt of each update. Franchisee acknowledges that a master copy of the Resource Center Materials maintained by Kings Road at its principal office or on its website shall be controlling in the event of a dispute relative to the content of the Resource Center Materials.

**8.4** **Small Message Service**. Franchisee acknowledges that one of Kings Road's primary methods of communication with Kings Road franchisees is by small message service via email, text messages, or other electronic methods ("**SMS**"). Any standards and specifications, or changes to standards and specifications, that are communicated by SMS are deemed part of the Resource Center Materials, and Franchisee is required to comply with them.

## 9. OPERATING ASSISTANCE

**9.1** **Kings Road's Services**. Kings Road shall, during Franchisee's operation of the KINGS ROAD Espresso Bar, make available to Franchisee the following services:

a. Kings Road shall give Franchisee access to advertising and promotional materials as may be developed by Kings Road, the cost of which will be borne by the Marketing and Technology Fund defined in Article 13 below. Kings Road reserves the right to charge Franchisee for reproducing advertising materials for Franchisee's use and for similar advertising and marketing costs incurred on Franchisee's behalf.

b. Upon the reasonable request of Franchisee, consultation by email or telephone regarding the continued operation and management of a KINGS ROAD Espresso Bar and advice regarding product quality control, menu items, customer relations, product and merchandise purchase, supply and sale and similar advice.

c. Provision of seminars or programs, at a frequency to be determined by Kings Road, on new methods, equipment and products.

d. Updates of information and programs regarding the franchised business, the Kings Road concept or the Licensed Methods, at a frequency to be determined by Kings Road, including, without limitation, information about improvements to existing menu items or new menu items, products or merchandise which may be developed and made available to Kings Road franchisees as a part of the Licensed Methods.

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

## 10. FRANCHISEE'S OPERATIONAL COVENANTS

**10.1 Business Operations**. Franchisee acknowledges that it is solely responsible for the successful operation of its KINGS ROAD Espresso Bar and that the continued successful operation thereof is, in part, dependent upon Franchisee's compliance with this Agreement and the Resource Center Materials. In addition to all other obligations contained in this Agreement and in the Resource Center Materials, Franchisee shall comply with the following operational obligations:

a. **Quality of Operations**. Franchisee shall maintain clean, efficient and high-quality KINGS ROAD Espresso Bar operations and shall operate the business in accordance with the Resource Center Materials and in such a manner as not to detract from or adversely reflect upon the name and reputation of Kings Road and the goodwill associated with the KINGS ROAD FRANCHISING LLC name, the service mark "Kings Road" and the Marks generally. The Franchised Location shall not be used for any purpose other than operating a KINGS ROAD Espresso Bar in compliance with this Agreement, and that Franchisee shall place or display at the premises (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos, display and advertising material that Kings Road approves from time to time.

b. **Compliance with Laws and Good Business Practices**. Franchisee shall conduct itself and operate its KINGS ROAD Espresso Bar in compliance with all applicable laws, regulations and other ordinances, including, without limitation, health department regulations and other ordinances in such a manner so as to promote a good public image in the business community. In connection therewith, Franchisee will be solely and fully responsible for obtaining any and all other licenses to carry on business at the KINGS ROAD Espresso Bar. Franchisee shall promptly forward to Kings Road copies of all health department, fire department, building department and other similar reports of inspections as and when they become available, and shall notify Kings Road in writing within three business days of: (1) the commencement of any action, suit or proceeding relating to the Espresso Bar ; (2) the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality relating to the Espresso Bar ; (3) any notice or violation of any law, ordinance or regulation relating to the Espresso Bar ; (4) receipt of any notice of complaint from the Better Business Bureau, and local, state or federal consumer affairs department or division, or any other governmental or independent third party involving a complaint from a customer or potential customer relating to the Espresso Bar, or (5) written complaints from any customer or potential customer, providing Kings Road copies of any documentation along with the notice. Franchisee shall resolve or otherwise address any matter listed in (1) through (5) above in a prompt and reasonable manner in accordance with good business practices. Additionally, Franchisee shall comply with the terms and conditions of any mandatory product recall promptly upon receipt of notice from Kings Road of such recall. Franchisee shall be solely responsible for any penalties or fines assessed for failure to abide by such laws and regulations. Kings Road has no obligation to advise Franchisee of any legislative or other legal developments that may affect its KINGS ROAD Espresso Bar. Franchisee is solely responsible for inquiring about and becoming familiar with all applicable laws, ordinances, and regulations, and determining those actions required for compliance. Any information Kings Road provides to Franchisee regarding applicable laws, ordinances, or regulations does not relieve Franchisee of its responsibility to consult with its own legal advisor and otherwise take appropriate action to inquire about and comply with applicable laws, ordinances, and regulations.

c. **Management**. Franchisee acknowledges that proper management of the KINGS ROAD Espresso Bar is important; consequently, Franchisee shall ensure that at least one Certified Manager who Kings Road has approved and who has satisfactorily completed Kings Road's initial training program be responsible for the operations management of the KINGS ROAD Espresso Bar on a full time basis.

d. **Approved Products and Services**. Franchisee shall offer only products and services through its Espresso Bar which meet or exceed the minimum standards and specifications established by Kings Road more fully described in the Resource Center Materials. Franchisee shall offer all types of products and services as from time to time may be prescribed by Kings Road and shall refrain from offering any other types of products or services, or operating or engaging in any other type of business or profession, from or through the KINGS ROAD Espresso Bar that are not authorized by Kings Road,

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

f. **Other Agreements**. Franchisee shall comply with all agreements with third parties related to the KINGS ROAD Espresso Bar including, in particular, all provisions of any premises lease or equipment lease.

g. **Employees and Agents**. Franchisee shall be exclusively responsible for recruiting, appointing, hiring, firing, and supervising its employees, independent agents, Certified Managers, and other authorized representatives. Those employees and agents will be employees or agents of Franchisee. They are not employees or agents of Kings Road and Kings Road is not the joint employer of those persons. Franchisee will have sole authority and control over the day-to-day operations of the KINGS ROAD Espresso Bar and its employees and agents. Kings Road will have no right or obligation to direct Franchisee's employees and agents or to operate the KINGS ROAD Espresso Bar. It is Franchisee's responsibility to determine compensation of employees and agents, terms of employment, safety regulations, work assignments, work schedules, and working conditions. Any information regarding any of those issues provided to Franchisee by Kings Road are mere suggestions and Franchisee shall have the sole discretion to utilize such information or not. Franchisee will keep Kings Road informed of the names, addresses and telephone numbers of all employees and agents. Kings Road reserves the right to require Franchisee, at Franchisee's expense, to purchase specified wearing apparel described in the Resource Center Materials from suppliers approved by Kings Road. All Certified Managers, employees of Franchisee, Franchisee and its owners, shall wear the specified wearing apparel at all times while working at the Franchised Location. Kings Road has the right, in its sole and absolute discretion, to change or modify such dress code guidelines.

h. **Remodeling and Upgrading**. Franchisee shall renovate, refurbish, remodel or replace, at its own expense, the real and personal property and equipment used in the operation of the KINGS ROAD Espresso Bar, when reasonably required by Kings Road in order to comply with the image, standards of operation and performance capability established by Kings Road from time to time. If Kings Road changes its image or standards of operation, it shall give Franchisee a reasonable period of time within which to comply with such changes.

i. **Training of Employees**. Franchisee shall be responsible for training all of its employees who work in any capacity in the KINGS ROAD Espresso Bar and shall be fully responsible for all employees' compliance with the operational standards which are part of the Licensed Methods. Franchisee is solely responsible for implementing training and other programs for employees and other agents related to the legal, safe, and proper performance of their work, regardless of the fact that Kings Road may provide advice, suggestions, and certain training programs as described in this Agreement. Such advice, suggestions, and training by Kings Road are provided to protect Kings Road's brand and the Marks and not to control the day-to-day operation of Franchisee's KINGS ROAD Espresso Bar.

j. **Ownership of Espresso Bar.** Franchisee shall at all times during the term of this Agreement own and control the KINGS ROAD Espresso Bar authorized hereunder. Upon request of Kings Road, Franchisee shall promptly provide satisfactory proof of such ownership to Kings Road. Franchisee represents that the Statement of Ownership, attached hereto as Attachment III and by this reference incorporated herein, is true, complete, accurate and not misleading, and, in accordance with the information contained in the Statement of Ownership, the controlling ownership of the KINGS ROAD Espresso Bar is held by Franchisee. Franchisee shall promptly provide Kings Road with a written notification if the information contained in the Statement of Ownership changes at any time during the term of this Agreement and shall comply with the applicable transfer provisions contained in Article 17 herein. In addition, if Franchisee is an entity, all of the owners, partners or members of Franchisee shall sign the Personal Guaranty attached hereto as Attachment II.

k. **Hours of Operation**. Franchisee shall at all times during the term of this Agreement keep its KINGS ROAD Espresso Bar open during the business hours customary for the Franchised Location and shall maintain sufficient supplies of menu items, food and ingredients, paper goods and branded products and merchandise and employ adequate personnel at all times so as to operate the Espresso Bar at its maximum capacity and efficiency.

l. **Email Communications**. Kings Road may provide an email account for Franchisee's KINGS ROAD Espresso Bar which will have a link on Kings Road's website (the "**Espresso Bar Email Account**"). Franchisee shall check the Espresso Bar Email Account on a daily basis and use the Espresso Bar Email Account to promptly respond to customer questions and complaints. Additionally, Franchisee shall acknowledge that the Espresso Bar Email Account is the primary source of communications from Kings Road regarding the operation of Franchisee's KINGS ROAD Espresso Bar until otherwise notified in writing. Franchisee shall check the Espresso Bar Email Account on a regular basis using its smartphone and computer for communications from Kings Road and customers of the Espresso Bar. Kings Road shall have full access to the information communicated to and from and stored on the Espresso Bar Email Account. Franchisee shall acknowledge and agree that it has no reasonable expectation of privacy in the information and data communicated, stored or received using the Espresso Bar Email Account and consents to Kings Road's monitoring of the Espresso Bar Email Account which can include intercepting, copying, printing or reading all email entering, leaving or stored in the Espresso Bar Email Account. Notwithstanding the foregoing, Franchisee's obligation to protect and maintain the confidentiality of Kings Road's proprietary information (as described below in Section 21.3) shall not be diminished in any way by this Section 10.1.l.

m. **Pricing**. Unless prohibited by applicable law, Kings Road may periodically set a maximum, minimum, or set price that Franchisee may advertise and charge for products and services offered by its KINGS ROAD Espresso Bar. If Kings Road establishes a maximum price for any products or services, Franchisee shall not offer or sell those products or services at any greater price. If Kings Road establishes a minimum price for any products or services, Franchisee shall not offer or sell those products or services at any lesser price. If Kings Road establishes a set price for any products or services, Franchisee must offer or sell those products or services at that exact price. If Kings Road does not establish pricing limits or set prices, it may establish suggested prices. In that case, any prices that Kings Road recommends to Franchisee are merely recommendations and Franchisee may establish its own prices, which may be higher or lower than Kings Road's recommended prices. Franchisee must abide by Kings Road's advertising policies related to advertising prices. Kings Road shall have no control over the day-to-day managerial operations of Franchisee's KINGS ROAD Espresso Bar.

n. **Communication Authorization**. Franchisee expressly authorizes Kings Road and its approved suppliers to contact Franchisee by e-mail, telephone, mail, or any other means related to any aspect of the Kings Road Espresso Bar, authorized products and services, this Agreement, or the Kings Road franchise system, for so long as this Agreement remains in effect. Franchisee expressly authorizes Kings Road to disclose Franchisee's contact information to Kings Road's approved and designated suppliers to enable such suppliers to contact Franchisee. Franchisee acknowledges that these communications are necessary to facilitate and keep Franchisee updated regarding the ongoing franchise relationship.

**10.2 Required Purchases**

a. **Inventory**. Prior to commencement of the Espresso Bar's operation, and throughout the term of this Agreement, Franchisee shall purchase and stock the Espresso Bar with products, menu items, ingredients of menu items and merchandise in such mix and quantities sufficient to meet customer demand, in compliance with Kings Road's standards and specifications as may be described in the Resource Center Materials and only from suppliers as may be designated or approved by Kings Road. Kings Road requires Franchisee to make purchases of specific products, items and merchandise from Kings Road, Kings Road's affiliates, or Kings Road's designated suppliers, some of which may be private labeled with the Marks, and may require Franchisee to make purchases of other specific products, items and merchandise from Kings Road, Kings Road's affiliates, or Kings Road's designated suppliers in the future. Franchisee acknowledges that the brand's acceptance is based on the quality of the products used in the Espresso Bar and that Kings Road requires only approved or designated products be used in order to maintain both quality and consistency throughout the Kings Road system.

b. **Limitation on Supply Obligations**. Delivery of products as may be purchased from Kings Road or its affiliates is subject to and conditioned upon availability. Nothing in this Agreement shall be construed by Franchisee to be a promise or guarantee as to the continued availability of a particular product sold by Kings Road or its affiliated companies, nor shall any provision herein imply or establish an obligation on the part of Kings Road and its affiliates to sell products to Franchisee if Franchisee is in arrears on any payment to Kings Road, its affiliates or a third-party supplier, or otherwise in default under this Agreement. Kings Road may require payments to be made at time of order or in cash on delivery ("**COD**"). If Franchisee is in arrears on any payment to Kings Road, its affiliates or a third party supplier, is in default under this Agreement or is otherwise not in compliance with the terms and conditions imposed by Kings Road, its affiliates or any third party supplier for the purchase of any products or items, Kings Road or its affiliates may discontinue selling or permitting the purchase through the account of Kings Road or its affiliates of any products or other items to Franchisee and may place the account of Franchisee on hold and cease (directly or through third party suppliers) the delivery of products already ordered and not yet paid for. Kings Road and its affiliates shall also be entitled to interest, late fees (in accordance with Section 12.4 below) and to recover their reasonable attorneys' fees from Franchisee in connection with any legal action, arbitration or other proceeding brought by them to collect amounts owed by Franchisee for purchases of products and other items from or through Kings Road or its affiliates.

c. **No Product Warranties**. The products purchased by Franchisee from Kings Road or its affiliated companies shall be subject only to manufacturers' warranties. KINGS ROAD AND ITS AFFILIATED COMPANIES MAKE NO WARRANTIES, EXPRESS OR IMPLIED, REGARDING MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF ANY OF THE PRODUCTS PURCHASED BY FRANCHISEE.

d. **Changes in Products**. It is understood that Kings Road and its affiliates shall have the right, at any time and without notice, to add items to, or withdraw items from, the list of products, menu items or ingredients thereof; to add to or delete from the list of approved suppliers of products and items; to revise any products and items; and to change the prices, discounts, or terms of sale of any products or items, provided, however, no such changes in prices, discounts or terms shall affect accepted orders pending with Kings Road and its affiliates at the time of change.

**10.3 Credit Card Services**. Franchisee must accept credit and debit cards from customers of its KINGS ROAD Espresso Bar. Franchisee shall not charge its customers any additional fees or service charges if they elect to pay by credit or debit card. Franchisee shall notify Kings Road of the credit card merchant service provider Franchisee intends to use in the operation of the KINGS ROAD Espresso Bar and obtain Kings Road's approval which approval will not be unreasonably withheld. The Payment Card Industry ("**PCI**") requires all companies that process, store, or transmit credit or debit card information to protect the cardholders' information by complying with the PCI Data Security Standard ("**PCI DSS**"). Therefore, Franchisee shall be PCI compliant by following and adhering to then-current PCI DSS, currently found at www.pcisecuritystandards.org, or any similar or subsequent standard for the protection of cardholder data throughout the term of this Agreement. Franchisee's KINGS ROAD Espresso Bar shall be in compliance with PCI DSS at all times.

**10.4 Electronic Funds Transfer**. Franchisee authorizes Kings Road and its affiliates to initiate debit entries and credit entries to Franchisee's checking, savings or other account for the payment of the Royalty Fee (defined in Section 12.1), payment of the Marketing and Technology Fee (defined in Section 12.2), if applicable, the purchase of equipment and inventory, and any other amounts due from Franchisee under this Agreement or otherwise. Contemporaneously with the execution of this Agreement and thereafter within five days of receipt of any written request from Kings Road, Franchisee shall execute and return to Kings Road an additional authorization agreement (a copy of Kings Road's current form of Authorization Agreement for Preauthorized Payments is attached to this Agreement as Attachment IV) for prearranged payments with account and other information to ensure the authorization agreement is current and valid. Kings Road may require Franchisee to pay amounts due under this Agreement or otherwise by means in addition to or other than electronic funds transfer and Franchisee agrees to comply with Kings Road's payment instructions.

## 11. RELOCATION

Franchisee may not relocate the Franchised Location without Kings Road's prior written consent. Any approved new locations shall not be within any other KINGS ROAD Espresso Bar's protected area, however. If Kings Road consents to the relocation, Franchisee must pay a relocation fee of $5,000 upon approval of the new Franchised Location. All other terms and conditions of this Agreement shall remain in full force and effect. Franchisee acknowledges that Kings Road has earned the relocation fee upon receipt thereof, and that the fee is under no circumstances refundable to Franchisee after it is paid, unless otherwise specifically set forth in this Agreement.

## 12. CONTINUING FEES AND PAYMENTS

**12.1** **Royalty Fee**. Franchisee shall pay a royalty ("**Royalty Fee**") in the amount of 5 percent of the Gross Sales as defined herein of the KINGS ROAD Espresso Bar according to the Payment Terms contained in Section 12.3 below. As used herein, **Gross Sales** means all sales made in the operation of the KINGS ROAD Espresso Bar whether collected or not, including, but not limited to, all amounts Franchisee receives at or away from the premises of the KINGS ROAD Espresso Bar, whether from cash, check, credit card or credit transaction (with no deduction for credit card charges), including proceeds of any business interruption insurance policies, but excluding all federal, state or municipal sales or use taxes collected from customers for payment to the appropriate taxing authorities, and excluding actual customer refunds, adjustments and credits.

**12.2** **Marketing and Technology Fee**. Kings Road currently has not established a marketing and technology fund ("**Marketing and Technology Fund**") and therefore does not charge a fee ("**Marketing and Technology Fee**") for such fund, but reserves the right to establish a Marketing and Technology Fund in the amount of 2 percent of Gross Sales any time after Kings Road has five Espresso Bar franchisees operating. Kings Road will provide Franchisee with not less than 30 days' notice to Franchisee prior to implementing the Marketing and Technology Fee.

**12.3** **Payment Terms**. The Royalty Fee and the Marketing and Technology Fee, if applicable, shall be payable monthly on the tenth day of each month based on the Gross Sales of the previous month, beginning in the third month after the Espresso Bar opens for business, unless Kings Road establishes a different payment schedule for the Marketing and Technology Fee in accordance with Section 13.3 below. The third month after the Espresso Bar opens for business shall be determined as follows: if Franchisee commences operations under Section 5.8 on the 15th day of a month or earlier, then that month in which Franchisee has commenced operations shall be counted as the first month after the Espresso Bar opens for business. If Franchisee commences operations under Section 5.8 on the 16th day of a month or later, then the first full month immediately following the month in which Franchisee has commenced operations shall be counted as the first month after the Espresso Bar opens for business. All payments of the Royalty Fee, Marketing and Technology Fee, if applicable, and any other amounts due to Kings Road hereunder will be made by electronic funds transfer or otherwise transmitted in a manner directed by Kings Road pursuant to Section 10.4 above. Franchisee hereby authorizes Kings Road to initiate debit entries to Franchisee's checking or savings account and authorizes any depository of such accounts to debit such accounts for the payment of the Royalty Fee, Marketing and Technology Fee, if applicable, and other amounts owed by Franchisee to Kings Road arising from or relating to this Agreement. Kings Road reserves the right to require the Royalty Fee, Marketing and Technology Fee, if applicable, and any other amounts payments be made on a weekly or bi-weekly basis if Franchisee does not timely or fully submit the required payment. Notwithstanding any designation by Franchisee, Kings Road shall have sole discretion to apply any payments by Franchisee, and any amounts received by Kings Road on Franchisee's behalf from third party vendors or customers to any of Franchisee's past due indebtedness to Kings Road for the Royalty Fee, Marketing and Technology

Fee, if applicable, purchases from Kings Road or its affiliates, interest or any other indebtedness. Franchisee acknowledges that Kings Road has the right to set-off any amounts Franchisee may owe to Kings Road against any amounts Kings Road might owe to Franchisee.

**12.4 Late Payments**. In the event that Franchisee fails to have sufficient funds in its account or otherwise fails to pay the Royalty Fee, Marketing and Technology Fee, if applicable, or other payments due to Kings Road as of the date due, Franchisee shall owe in addition to the amounts due, interest at the highest applicable legal rate for open account credit, not to exceed 1½ percent per month. Franchisee acknowledges that this Section 12.4 shall not constitute Kings Road's or its affiliates' agreement to accept such payments after they are due or a commitment to extend credit to or otherwise finance operations of the Espresso Bar. In no event shall Franchisee be required to pay interest at a rate greater than the maximum interest rate permitted by applicable law. Kings Road reserves the right to automatically assess Franchisee a monthly $25 late charge for any Royalty Fee payment, Marketing and Technology Fee payment, if applicable, or any other payment due under this Agreement which is not timely paid, which late charge shall be due and payable in full upon demand.

**12.5 Nonrefundable Fees**. Except as specifically contemplated in this Agreement, all fees once paid, shall be nonrefundable in all circumstances.

## 13. ADVERTISING

**13.1 Approval of Advertising**. Franchisee shall obtain Kings Road's prior written approval of all written advertising or other marketing or promotional programs or materials regarding the KINGS ROAD Espresso Bar, including, without limitation, online directory or search engine advertising, newspaper ads, flyers, brochures, magazines, coupons, direct mail pieces, specialty and novelty items and radio, television and in-Espresso Bar advertising. Franchisee shall also obtain Kings Road's prior written approval before using any promotional materials that vendors may provide. The proposed written or electronic advertising or a description of the marketing or promotional program shall be submitted to Kings Road at least 30 days prior to publication, broadcast or use. Kings Road may withhold its approval of advertising in its sole discretion. Franchisee acknowledges that advertising and promoting the KINGS ROAD Espresso Bar in accordance with Kings Road's standards and specifications is an essential aspect of the Licensed Methods, and Franchisee agrees to comply with all advertising standards and specifications. Franchisee shall display all required promotional materials, signs, point of purchase displays and other marketing materials in its KINGS ROAD Espresso Bar and in the manner prescribed by Kings Road.

**13.2 Local Advertising**. Franchisee shall conduct local advertising to create public awareness of Franchisee's KINGS ROAD Espresso Bar. Franchisee shall obtain Kings Road's prior written approval of all advertising and promotional materials before publication.

**13.3 Marketing and Technology Fund**. Kings Road reserves the right to require Franchisee pay to Kings Road, in addition to the Royalty Fee, a Marketing and Technology Fee in the amount of 2 percent of Franchisee's Gross Sales. Kings Road may implement and require the Marketing and Technology Fee at any time after there are at least five KINGS ROAD Espresso Bar franchisees in the system. The Marketing and Technology Fee shall be in addition to and not in lieu of any local advertising conducted by Franchisee. The Marketing and Technology Fee will be payable at the same time as the Royalty Fee unless Kings Road establishes a different payment schedule for the Marketing and Technology Fee. The following terms and conditions will apply to the Marketing and Technology Fee payment:

a. Kings Road will deposit the Marketing and Technology Fees in the Marketing and Technology Fund. The Marketing and Technology Fund will be administered by Kings Road. Kings Road shall direct all advertising and marketing programs financed by the Marketing and Technology Fund, with sole discretion over the creative concepts, materials and endorsements used therein, geographic, market and media placement and allocation, and the administration thereof. Franchisee agrees that the Marketing and Technology Fund may be used to pay the costs of researching, preparing, maintaining, administering and directing advertising and promotional materials and public relations programs, including production of commercial print, radio, television, magazine, newspaper, Internet advertising, direct response literature, direct mailings, brochures, collateral materials advertising, surveys of advertising effectiveness, advisory council expenses, convention expenses, social media marketing, and other advertising or public relations expenditures, for any international, national, or regional media. The Marketing and Technology Fund may also be used to pay for the expenses related to researching, developing, implementing, servicing, and operating any technology used in any manner related to the Kings Road franchise system or KINGS ROAD Espresso Bars, including any technologies utilized in or related to Kings Road's website, search engine optimization, reporting of information for KINGS ROAD Espresso Bars, the equipment used in KINGS ROAD Espresso Bars, and KINGS ROAD Espresso Bar computer systems (collectively, the "**Technology**"). Kings Road may reimburse itself from the Marketing and Technology Fund for administrative costs, including the salaries of public relations personnel or persons administering the advertising services, the salaries of persons providing services related to any Technology, preparation of advertising materials, market research, independent audits, collection of the Marketing and Technology Fees, administration of the advisory council, accounting, bookkeeping, reporting and legal expenses, taxes and all other reasonable direct or indirect expenses that Kings Road or its authorized representatives incur with the programs funded by the Advertising and Technology Fund. Kings Road may use outside advertising agencies with personal and/or inside personnel or affiliates to provide advertising services for the Marketing and Technology Fund.

b. Upon the request of Franchisee, Kings Road will make available to Franchisee, no later than 60 days after the end of each fiscal year, an unaudited financial statement which indicates how the Marketing and Technology Fund has been spent in the prior year.

c. The Marketing and Technology Fund shall be accounted for separately from Kings Road's other funds and shall not be used to defray any of Kings Road's general operating expenses, except for such reasonable administrative costs, salaries and overhead as Kings Road may incur in activities related to the administration of the Marketing and Technology Fund and its marketing programs, including, without limitation, conducting market research, preparing material, incurring related accounting and legal expenses, collecting and accounting for Marketing and Technology Fund contributions and all costs and expenses related to the Advisory Council, if any. Kings Road may spend in any fiscal year an amount greater or less than the aggregate contribution of all KINGS ROAD Espresso Bars to the Marketing and Technology Fund in that year and the Marketing and Technology Fund may borrow from Kings Road or other lenders to cover deficits or cause the Marketing and Technology Fund to invest any surplus for future use. The Marketing and Technology Fund may be incorporated or operated through an entity separate from Kings Road at such time as Kings Road deems appropriate, and such successor entity shall have all rights and duties of Kings Road pursuant to this Section 13.3.

d. Franchisee understands and acknowledges that the Marketing and Technology Fund is intended to maximize recognition of the Marks and patronage of all KINGS ROAD Espresso Bars. Although Kings Road will endeavor to utilize the Marketing and Technology Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all KINGS ROAD Espresso Bars, Kings Road undertakes no obligation to ensure that expenditures by the Marketing and Technology Fund in or affecting any geographic area are proportionate or equivalent to the contributions by KINGS ROAD Espresso Bars operating in that geographic area or that any KINGS ROAD Espresso Bars will benefit directly from or in proportion to its contribution to the development of advertising and marketing materials or the placement of advertising. The Marketing and Technology Fund is not a trust fund, and Kings Road does not owe Franchisee a fiduciary duty with respect to the maintenance, direction or administration of the Marketing and Technology Fund. Except as expressly provided in this Section 13.3, Kings Road assumes no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction or administration of the Marketing and Technology Fund.

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

**13.4** **Regional Advertising Programs**. Kings Road reserves the right, upon 30 days' prior written notice to Franchisee, to create a regional advertising association ("**Co-op**") for the benefit of Kings Road franchisees located within a particular geographic area. If a Co-op is established for the area where Franchisee is located, Franchisee will be required to participate in the Co-op for the purpose of selecting and participating in regional marketing and promotion programs for KINGS ROAD Espresso Bars, which programs and other Co-op activities are subject to the approval of Kings Road. Franchisee will be required to remain a member of and be bound by the decisions of the majority of the members of the Co-op regarding expenditures, assessments and dues of the Co-op, to the extent that they are approved by Kings Road. Each Co-op has the right, by majority vote, to require its members to pay monthly dues to the Co-op. The failure of Franchisee to participate in the Co-op or pay any dues required by the Co-op, may be deemed to be a breach of this Agreement. Kings Road has the right, in its sole discretion, to determine the composition of all geographic territories and market areas for the implementation of such regional advertising and promotional campaigns and to require that Franchisee participate in such regional advertising programs as and when they may be established by Kings Road. Kings Road has the right, in its sole discretion, to form, change and dissolve the Co-op. If a regional advertising program is implemented on behalf of a particular region by Kings Road, Kings Road, to the extent reasonably calculable, will only use contributions from Kings Road franchisees within such region for the particular regional advertising program. Kings Road reserves the right to seek reimbursement from the Co-op for reasonable administrative costs, salaries and overhead as Kings Road may incur in activities related to the implementation and administration of the Co-op and marketing programs. Kings Road also reserves the right to establish an advertising cooperative for a particular region to enable the cooperative to self-administer the regional advertising programs.

**13.5** **Initial Marketing and Promotional Campaign**. Franchisee shall conduct an initial marketing and promotional program for the KINGS ROAD Espresso Bar at or around the time that the Espresso Bar opens. Franchisee's initial marketing and promotional campaign will utilize the marketing and public relations programs and media and advertising materials that Kings Road has developed or that Kings Road otherwise approves.

**13.6** **Electronic Advertising**. Franchisee shall not develop, create, distribute, disseminate or use any Internet advertising or website, social media or networking account, or any multimedia, telecommunication, mass electronic mail, facsimile or audio/visual advertising, promotional or marketing materials, directly or indirectly related to the KINGS ROAD Espresso Bars, the Marks, or the Licensed Methods ("**Electronic Advertising**") without Kings Road's prior written consent which may be withheld in Kings Road's sole discretion. Kings Road shall retain the exclusive right to develop and control the content of all Electronic Advertising for the KINGS ROAD Espresso Bar. Franchisee acknowledges that Kings Road shall own all Electronic Advertising related to or associated with the Marks and Licensed Methods including, without limitation, databases of customer email addresses and other customer information. Kings Road requires Franchisee to participate in certain designated Electronic Advertising programs and Franchisee agrees to do so in strict compliance with Kings Road's policies and rules regarding the creation, maintenance, use and content of such Electronic Advertising as set forth in this Agreement, the Resource Center Materials or an Electronic Advertising code of conduct that Kings Road may develop, disseminate and modify from time to time.

13.7 **Loyalty and Other Promotional Programs**. Except as prohibited or limited by law, Franchisee shall fully participate in all promotional campaigns, prize contests, customer loyalty programs, special offers, discount programs including deal-of-the-day and crowdsourcing programs, social media programs, and other programs, whether international, national, regional, or local in nature (including the introduction of new products or services or other marketing programs directed or approved by Kings Road), which are prescribed from time to time by Kings Road. Franchisee shall be responsible for the costs of such participation. In addition, Franchisee shall honor any coupons, customer loyalty program points or credits, gift certificates, discounts, or other authorized promotional offers of Kings Road at Franchisee's sole cost unless otherwise specified in writing by Kings Road. Franchisee acknowledges that Kings Road frequently implements such promotions intended to increase customer awareness and build business on an international, national, regional, or local level, and Franchisee's participation in these promotions is essential to their success. Franchisee acknowledges that Kings Road has no obligation to reimburse Franchisee for the costs associated with participating in these promotions. From time to time a promotion may not benefit all franchisees in the Kings Road system; and if the promotion is not offered in the region, or another unknown hardship arises, Kings Road may, at Kings Road's option, exempt Franchisee and/or other franchisees on a case-by-case basis. Franchisee must follow the guidelines provided by the designated provider of any of these programs and the guidelines set forth in the Resource Center Materials with respect to Franchisee's obligations and responsibilities under the program (which may include a requirement to purchase related equipment and software), the methods of operation for the program, the transaction information Franchisee is required to provide to Kings Road and the retention of complete and accurate books and records regarding transactions made pursuant to a program.

## 14. QUALITY CONTROL

14.1 **Compliance with Resource Center Materials**. Franchisee shall maintain and operate the KINGS ROAD Espresso Bar in compliance with this Agreement and the standards and specifications contained in the Resource Center Materials, as the same may be modified from time to time by Kings Road.

14.2 **Standards and Specifications**. Kings Road will make available to Franchisee standards and specifications for the menu items, products and services offered at or through the KINGS ROAD Espresso Bar and for the Franchised Location, equipment, menus, ingredients, paper products, inventory policies, employee attire, supplies, forms, advertising material and other items used in connection with the Espresso Bar. Kings Road reserves the right to change standards and specifications for services and products offered at or through the KINGS ROAD Espresso Bar and for the Franchised Location, equipment, menus, food, paper products, employee attire, supplies, advertising material and other items used in connection with the Espresso Bar, upon 10 days' prior written notice to Franchisee. Franchisee shall, throughout the term of this Agreement, remain in compliance and strictly adhere to all of Kings Road's current standards and specifications for the KINGS ROAD Espresso Bar as prescribed from time to time.

14.3 **Inspections**. Kings Road shall have the right to examine the Franchised Location, including the inventory, products, equipment, materials, supplies or services used or sold there, to ensure compliance with all standards and specifications set by Kings Road. Kings Road shall conduct such inspections during regular business hours and Franchisee may be present at such inspections. Kings Road, however, reserves the right to conduct the inspections without prior notice to Franchisee.

14.4 **Restrictions on Products and Services**. Franchisee is prohibited from offering or selling any products or services not authorized by Kings Road as being a part of the Licensed Methods. If Franchisee proposes to offer, conduct or utilize any products, materials, items, supplies or services for use in connection with or sale through the KINGS ROAD Espresso Bar which are not previously approved by Kings Road as meeting its specifications, Franchisee shall first notify Kings Road in writing requesting approval. Kings Road may, in its sole discretion, for any reason whatsoever, elect to withhold such approval; however, in order to make such determination, Kings Road may require submission of specifications, information, or samples of such products, services, materials, forms, items or supplies. Franchisee shall pay the reasonable costs of investigation in determining whether such products, materials, items or supplies meet its specifications. Kings Road will advise Franchisee within a reasonable time whether such products, services, materials, forms, items or supplies meet its specifications.

**14.5** **Approved or Designated Suppliers**. Franchisee shall purchase all products, equipment, materials, supplies and services required for the operation of the KINGS ROAD Espresso Bar from Kings Road, from Kings Road's designated affiliates, or from suppliers designated or approved by Kings Road. If there is no designated or approved supplier for a particular product, piece of equipment, ingredient, food item, supply, material or service, Franchisee shall propose, for prior written approval by Kings Road, such other suppliers who meet all of Kings Road's specifications and standards as to quality, composition, finish, appearance and service, and who shall adequately demonstrate their capacity and ability to supply Franchisee's needs in the quantities, at the times, and with the reliability requisite to an efficient operation of the KINGS ROAD Espresso Bar. Kings Road reserves the right to derive revenue from Franchisee's purchases of food items, products or services, whether the purchase is from Kings Road, Kings Road's affiliate or another designated or approved source and irrespective of whether a formal purchase or buying arrangement has been established.

**14.6** **Request to Approve Supplier**. In the event Franchisee desires to purchase or use products, equipment, supplies, materials or services from suppliers other than those previously approved by Kings Road, Franchisee shall, prior to purchasing from or otherwise utilizing any supplier give Kings Road a written request to approve the supplier. In the event Kings Road rejects Franchisee's requested new supplier, Kings Road must, within 30 days of the receipt of Franchisee's request to approve the supplier notify Franchisee in writing of its rejection. Kings Road may continue from time to time to inspect any suppliers' facilities and products to assure compliance with Kings Road's standards and specifications. Permission for such inspection shall be a condition of the continued approval of such supplier. Kings Road may in its sole discretion elect to withhold approval of the supplier for any reason it determines, including for purposes of protecting its trade secrets or on the basis of the terms offered to Kings Road itself or its franchisees from the proposed supplier compared to any current designated or approved supplier. In order to make such determination, Kings Road may require that samples from a proposed new supplier be delivered to Kings Road for testing prior to approval and use. Kings Road may impose a charge equal to $150 per hour per each representative of Kings Road involved in the testing and investigation of a proposed new supplier request, and Franchisee shall also be required to pay the reasonable costs incurred by Kings Road in connection with the testing and investigation.

**14.7** **Shopping Service**. Kings Road reserves the right to use third party shopping services from time to time to evaluate the conduct of Franchisee's KINGS ROAD Espresso Bar, including such things as inventory, customer service, cleanliness, merchandising and proper use of computers and registers. Kings Road may use such shopping services to inspect Franchisee's KINGS ROAD Espresso Bar at any time at Kings Road's expense, without prior notification to Franchisee. Kings Road may make the results of any such service evaluation available to Franchisee, in Kings Road's sole discretion.

## 15. MARKS, TRADE NAMES AND PROPRIETARY INTERESTS

**15.1** **Marks**. Franchisee acknowledges that Kings Road has the sole right to own, license and control Franchisee's use of the "KINGS ROAD COFFEE" service mark and other of the Marks, and that such Marks shall remain under the sole and exclusive ownership and control of Kings Road. Franchisee acknowledges that it has not acquired any right, title or interest in such Marks except for the right to use such marks in the operation of its KINGS ROAD Espresso Bar as it is governed by this Agreement. Except as permitted in the Resource Center Materials, Franchisee shall not use any of the Marks as part of an electronic mail address, or on any sites on the Internet and Franchisee shall not use or register any of the Marks as part of a domain name on the Internet.

**15.2** **No Use of Other Marks**. No service mark other than "KINGS ROAD COFFEE" or such other Marks as may be specified by Kings Road shall be used in the identification, marketing, promotion or operation of the KINGS ROAD Espresso Bar.

**15.3** **Licensed Methods**. Franchisee acknowledges that Kings Road owns and controls the distinctive plan for the establishment, operation and promotion of the KINGS ROAD Espresso Bars and all related licensed methods of doing business, previously defined as the "**Licensed Methods**", which include, but are not limited to, Kings Road's standards and specifications for the franchised site, premises, leasehold improvements, interior finish, equipment, supplies, materials, inventory type and control, technical equipment standards, order fulfillment methods, customer relations, marketing techniques, written promotional materials, advertising, accounting systems, recipes, menu items, food preparation methods and any applicable food handler requirements and safety standards, all of which constitute confidential trade secrets of Kings Road. Franchisee acknowledges that Kings Road has valuable rights in and to such trade secrets. Franchisee further acknowledges that it has not acquired any right, title or interest in the Licensed Methods except for the right to use the Licensed Methods in the operation of the KINGS ROAD Espresso Bar as it is governed by this Agreement and that it is obligated to maintain the confidentiality of the Licensed Methods in accordance with Section 21.3 below.

**15.4** **Mark Infringement**. Franchisee shall notify Kings Road in writing of any possible infringement or illegal use by others of a trademark the same as or confusingly similar to the Marks which may come to its attention. Franchisee acknowledges that Kings Road shall have the right, in its sole discretion, to determine whether any action will be taken on account of any possible infringement or illegal use. Kings Road may commence or prosecute such action in Kings Road's own name and may join Franchisee as a party to the action if Kings Road determines it to be reasonably necessary for the continued protection and quality control of the Marks and Licensed Methods. Kings Road shall bear the reasonable cost of any such action, including attorneys' fees. Franchisee must fully cooperate with Kings Road in any such litigation.

**15.5** **Franchisee's Business Name**. Franchisee acknowledges that Kings Road and affiliates of Kings Road have a prior and superior claim to the "KINGS ROAD" trade name. Franchisee shall not use the word "Kings Road" or words that are confusingly similar, in the legal name of its corporation, partnership, limited liability company or any other business entity used in conducting the business provided for in this Agreement. Franchisee also agrees not to register or attempt to register a trade name using the word "Kings Road," or words that are confusingly similar, in Franchisee's name or that of any other person or business entity, without prior written consent of Kings Road. Franchisee shall not hold itself out as "Kings Road Franchising LLC," "Kings Road Coffee," "Kings Road Cafe," "Kings Road Espresso Bar Cafe," or as being associated with Kings Road in any manner other than as a franchisee or licensee or as being associated with any affiliate of Kings Road and shall comply with the terms of Section 20.1. Franchisee shall, in all advertising and promotion and promotional materials, display its business name only in obvious conjunction with the phrase "Kings Road Licensee" or "Kings Road Franchisee" or with such other words and in such other phrases to identify itself as an independent owner of the KINGS ROAD Espresso Bar, as may from time to time be prescribed in the Resource Center Materials.

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

**15.7** <u>**Creative Ownership**</u>. All copyrightable or patentable works, and all discoveries, developments, designs, improvements, inventions or other information of a proprietary nature created by Franchisee or any of its owners, officers or employees in connection with the Espresso Bar, including but not limited to any enhancements or improvements in the Licensed Methods, shall be the sole property of Kings Road. Franchisee shall assign, or cause its owner, officer or employee to assign, all proprietary rights, including copyrights, in these works to Kings Road without additional consideration. Franchisee hereby assigns and will execute (or will cause its owner, officer or employee to assign and execute) such additional assignments or documentation to effectuate the assignment of all intellectual property, inventions, recipes, copyrights, trademarks and trade secrets developed in part or in whole in relation to the Espresso Bar, during the term of this Agreement, as Kings Road may deem necessary in order to enable it, at its expense, to apply for, prosecute and obtain copyrights, patents, trademarks or other proprietary rights in the United States and in foreign countries or in order to transfer to Kings Road all right, title, and interest in said property. Franchisee shall promptly disclose to Kings Road all inventions, recipes, discoveries, improvements, creations, patents, copyrights, trademarks and confidential information relating to the Espresso Bar and the Licensed Methods which it or any of its owners, officers or employees has made or may make solely, jointly or commonly with others and shall promptly create a written record of the same.

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

**15.9** <u>**Business Records**</u>. Franchisee acknowledges and agrees that Kings Road owns all records ("**Business Records**") with respect to customers and employees of, and/or related to, Franchisee's KINGS ROAD Espresso Bar; including, without limitation, all databases (whether in print, electronic or other form) with customer and potential customers, names, addresses, phone numbers, email addresses, and customer purchase records, and all other records contained in the database. Franchisee further acknowledges and agrees that, at all times during and after the termination, expiration or cancellation of this Agreement, Kings Road may access such Business Records, and may utilize, transfer, or analyze such Business Records as Kings Road determines to be in the best interest of the Kings Road system, in Kings Road's sole discretion.

## 16. REPORTS, RECORDS AND FINANCIAL STATEMENTS

**16.1** <u>**Franchisee Reports**</u>. Franchisee shall establish and maintain, at its own expense, bookkeeping, accounting and data processing systems which accurately reflect the conduct of business at the Franchised Location. Kings Road reserves the right to require that Franchisee provide access to or copies of certain data upon reasonable request. Franchisee shall supply to Kings Road such types of reports in a manner and form as Kings Road may from time to time reasonably require including without limitation daily, weekly or monthly reports of inventory and sales by category.

**16.2 Records Use and Access**. Kings Road reserves the right to disclose data derived from all financial operational reports received from Franchisee, without identifying Franchisee except to the extent identification of Franchisee is required by law. Franchisee consents to Kings Road obtaining information regarding the Espresso Bar and its operations from third parties with whom Franchisee does business, as and when deemed necessary by Kings Road.

**16.3 Verification**. Each report to be submitted to Kings Road pursuant to this Agreement shall be signed manually or electronically, as the case may be, and verified by Franchisee if so requested by Kings Road.

**16.4 Books and Records**. Franchisee shall maintain all books and records for its KINGS ROAD Espresso Bar, and shall preserve these records as required by any applicable rule, regulation or statute. Any reports, books, records or financial information provided by Franchisee to its landlord or the landlord's agent shall also be provided to Kings Road simultaneously.

**16.5 Records Review**. If Franchisee is required to provide any financial records of the KINGS ROAD Espresso Bar to any landlord, lender, or other third party pursuant to the terms of any lease, loan agreement, or other agreement, whether written or oral, then Franchisee shall provide to Kings Road a copy of those records at the same time they are provided to the third party.

**16.6 Audit of Books and Records**. From the date Franchisee and Kings Road sign this Agreement until three years after the expiration or termination of this Agreement, including any successor franchises, Kings Road or Kings Road's authorized agent shall have the right to request, receive, inspect and audit any of the business records, financial or otherwise, of Franchisee or any party affiliated with Franchisee, including but not limited to Franchisee's Certified Managers, other owners, guarantors, officers, directors, or authorized representatives, any immediate family members of Franchisee or of such affiliated parties, or any companies or entities associated with Franchisee or such affiliated parties, that Kings Road in its sole discretion determines may be relevant in determining the business results of Franchisee's KINGS ROAD Espresso Bar; such as verifying that Franchisee has paid all fees and other amounts owed to Kings Road based on the revenues of Franchisee or otherwise. Inspections and audits conducted at the Franchised Location may take place without prior notice. Kings Road may also require at any time the records from Franchisee or its affiliated parties be sent to Kings Road's offices or another location to permit the inspection or audit of such records to be conducted at Kings Road's place of business or the other location. If Kings Road notifies Franchisee that documents are to be sent to a location other than the Franchised Location for the purpose of conducting an inspection or audit at that location, Franchisee shall provide the requested documents to Kings Road within the time period set forth in Kings Road's notice. Franchisee will be responsible for any expenses associated with collecting and delivering any documents requested by Kings Road for its inspection or audit. Franchisee agrees that Kings Road will have the right to inspect and audit any records of Franchisee or any affiliated party that Kings Road determines to be relevant in its sole discretion, which records may include, in addition to those referred to above, (i) tax returns; (ii) quarterly and/or annual financial statements, including profit and loss statements and balance sheets; (iii) copies of checks, check ledgers and bank statements for checking and savings accounts; (iv) receipts and other records of customer transactions; (v) all contracts or agreements entered into by Franchisee and any third parties related to its KINGS ROAD Espresso Bar; and (vi) any other documents requested by Kings Road. Kings Road may inspect and audit documents covering a period beginning with the date on which Franchisee first acquired its KINGS ROAD Espresso Bar and ending on the date such audit is concluded. All documents provided for Kings Road's inspection or audit must be certified by Franchisee and the appropriate affiliated party, if applicable, as true, complete and correct. Should any inspection or audit disclose a deficiency in the payment of any amounts required to be paid or spent under this Agreement, Franchisee shall pay the deficiency to Kings Road immediately, without prejudice to any other remedy of Kings Road under this Agreement. In addition, if (i) Franchisee has failed to submit any statements or reports required hereunder to Kings Road, (ii) Franchisee submits required reports late on two or more consecutive reporting periods, (iii) Franchisee fails to cooperate in the performance of the audit by Kings Road, or (iv) Franchisee fails to take actions to correct any deficiencies determined by Kings Road in the audit following notification from Kings Road; then, Franchisee will also pay to Kings Road the entire cost of the inspection or audit including travel, lodging, meals, salaries and other expenses of the inspecting or auditing personnel within 15 days of notice from Kings Road.

## 17. TRANSFER

**17.1 Transfer by Franchisee**. The franchise granted herein is personal to Franchisee and, except as stated below, Franchisee shall not transfer, assign, sub-franchise or convey this Agreement or any interest hereunder nor purport to do so without Kings Road's prior written consent which consent will not be unreasonably withheld. Franchisee acknowledges that prior to approving any transfer, Kings Road may impose reasonable conditions on Franchisee and its purported transferee in addition to those conditions listed in Section 17.2. As used in this Agreement, the term "**transfer**" shall mean and include the voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition by Franchisee (or any of its owners) of any interest in: (1) this Agreement; (2) the ownership of Franchisee; or (3) the Espresso Bar or any assets of the Espresso Bar. The term "**transfer**" shall also mean and include any change in Franchisee resulting from a divorce, insolvency, corporate or partnership dissolution proceeding, merger, change of control, those transfers described in Sections 17.4 and 17.6, by operation of law or, in the event of the death of Franchisee, or an owner of Franchisee by will, declaration of or transfer in trust or under the laws of intestate succession.

**17.2 Pre-Conditions to Franchisee's Transfer**. Franchisee shall not transfer its rights under this Agreement or any interest in it, or any part or portion of any business entity that owns it or all or a substantial portion of the assets of the KINGS ROAD Espresso Bar, unless: (1) the Espresso Bar has already opened for business and has been operating for at least 30 days; and (2) Franchisee obtains Kings Road's written consent and complies with all of the following requirements:

a. Payment of all amounts due and owing pursuant to this Agreement by Franchisee to Kings Road or its affiliates or to third parties holding a security interest in any asset of the franchised business and Franchisee is otherwise in full compliance with this Agreement.

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

c. Execution of a Franchise Agreement (for the same type of franchise as granted by this Agreement or an equivalent type then offered as determined by Kings Road) and any ancillary documents, such as the Guaranty and Assumption of Franchisee's Obligations and Nondisclosure and Noncompetition Agreement, in a form then currently offered and required by Kings Road, which shall supersede this Agreement in all respects. If a new Franchise Agreement is signed, the terms thereof may differ substantially from the terms of this Agreement; provided, however, the transferee will not be required to pay any additional initial franchise fee.

d. Provision by Franchisee of written notice to Kings Road 30 days prior to the proposed effective date of the transfer, such notice to contain information reasonably detailed to enable Kings Road to evaluate the terms and conditions of the proposed transfer.

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

f. Execution by Franchisee of a general release, in a form satisfactory to Kings Road, of any and all claims against Kings Road, its affiliates and their respective officers, directors, members, managers, employees and agents.

g. Payment by Franchisee or the proposed transferee of a transfer fee equal to the greater of 20 percent of the then current initial franchise fee for a first franchise (or equivalent franchise concept then offered by Kings Road) or $10,000. The transfer fee covers the training for up to two representatives of transferee. Kings Road reserves the right to charge Franchisee $2,500 per person to train any additional representatives of transferee.

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

i. If so requested by Kings Road, Franchisee, at its expense, shall upgrade the Espresso Bar to conform to the then current standards and specifications of new Espresso Bars then-being established pursuant to the Licensed Methods, and shall complete upgrading and other requirements within the time specified by Kings Road.

j. The transferor shall remain liable for all of the obligations to Kings Road in connection with the Espresso Bar that arose prior to the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments reasonably requested by Kings Road to evidence such liability.

**17.3 Kings Road's Approval of Transfer**. Kings Road has 30 days from the date of the written notice of the proposed transfer to approve or disapprove in writing, of Franchisee's proposed transfer. Franchisee acknowledges that the proposed transferee shall be evaluated for approval by Kings Road based on the same criteria as is then currently being used to assess new franchisees of Kings Road and that such proposed transferee shall be provided, if appropriate, with such pre-transfer disclosures as may be required by state or federal law. Kings Road's consent to one transfer shall not constitute consent or approval to any subsequent transfer.

**17.4 Specific Types of Transfers**. Franchisee acknowledges that Kings Road's right to approve or disapprove of a proposed sale or transfer, and all other requirements and rights related to such proposed sale or transfer, as provided for above, shall apply (1) if Franchisee is a partnership or other business association, to the addition or deletion of a partner or members of the association or the transfer of any partnership or membership among existing partners or members; (2) if Franchisee is a corporation or limited liability company, to any proposed transfer or assignment of 15 percent or more of the ownership interests of Franchisee, whether such transfer occurs in a single transaction or several transactions and whether such transfer involves then issued and outstanding shares of stock or other ownership interest or newly issued shares or other ownership interest; and (3) if Franchisee is an individual, to the transfer from such individual or individuals to a corporation or other entity controlled by them, in which case Kings Road's approval will be conditioned upon: (i) the continuing personal guarantee of the individual (or individuals) for the performance of obligations under this Agreement; (ii) a limitation on the corporation's or other entities' business activity to that of operating the KINGS ROAD Espresso Bar and related activities; and (iii) other reasonable conditions. With respect to a proposed transfer as described in subsection (1) and (3) of this Section, Kings Road will waive any transfer fee chargeable to Franchisee for a transfer under these circumstances.

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

**17.6 Franchisee's Death or Disability**. Upon the death or permanent disability of Franchisee (or the individual controlling Franchisee entity), the executor, administrator, conservator, guardian or other personal representative of such person shall transfer Franchisee's interest in this Agreement or such interest in Franchisee entity to a third party approved by Kings Road. Such disposition of this Agreement or such interest (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed 180 days from the date of death or permanent disability, and shall be subject to all terms and conditions applicable to transfers contained in this Article 17. Failure to transfer the interest in this Agreement or such interest in Franchisee entity within said period of time shall constitute a breach of this Agreement. For the purposes hereof, the term "**permanent disability**" shall mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Franchisee or the owner of a controlling interest in Franchisee entity from supervising the management and operation of the KINGS ROAD Espresso Bar for a period of 120 days from the onset of such disability, impairment or condition. In any event, there shall at all times be a Certified Manager designated to be responsible for the management of the Espresso Bar on a full-time basis who has complied with all of Kings Road's training requirements, regardless of any death or disability covered in this Section.

**17.7 Public or Private Offering**. Franchisee acknowledges that the written information used to raise or secure funds can reflect upon Kings Road and the franchise system. Franchisee agrees to submit any written information intended to be used for that purpose to Kings Road at least 30 days before inclusion in any registration statement, prospectus or similar offering memorandum. Should Kings Road object to any reference to Kings Road, its affiliates, or the business of Kings Road in the offering literature or prospectus, the literature or prospectus shall not be used until the objections are withdrawn. Notwithstanding the foregoing, Franchisee acknowledges and agrees that Franchisee may not engage in a public offering of securities without the prior written consent of Kings Road, which may be withheld for any reason at Kings Road's discretion.

## 18. TERM AND EXPIRATION

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

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

**18.3 Rights Upon Expiration**. At the end of the initial term hereof Franchisee may acquire successor franchise rights for an additional term (provided Kings Road does not refuse to offer a successor franchise in accordance with Section 18.5 below), if Franchisee complies with all of the following:

a. At least 30 days prior to expiration of the term, executes the form of Franchise Agreement then in use by Kings Road (for the same type of franchise as granted by this Agreement or an equivalent type then offered as determined by Kings Road), which may have terms substantially different than those set forth in this Agreement.

b. Has complied with all provisions of this Agreement during the current term, including the payment on a timely basis of all franchise fees, Royalty Fees, Marketing and Technology Fees, inventory purchases, and other fees due hereunder. "**Compliance**" shall mean, at a minimum, that Franchisee has not received any written notification from Kings Road of breach hereunder more than 3 times during the term hereof.

c. Upgrades and/or remodels the KINGS ROAD Espresso Bar and its operations at Franchisee's sole expense (the necessity of which shall be in the sole discretion of Kings Road) to conform with the then current Resource Center Materials including, without limitation, Espresso Bar facility and trade dress standards, or at the option of Franchisee, secure a substitute premises approved by Kings Road and developed by Franchisee according to the Licensed Methods then applicable for KINGS ROAD Espresso Bars.

d. Executes a successor franchise rider in the form designated by Kings Road which contains a general release of any and all claims against Kings Road and its affiliates, and their respective officers, directors, employees and agents arising out of or relating to this Agreement.

e. Pays a successor franchise fee to Kings Road concurrently with the execution of the successor franchise agreement equal to the greater of 20 percent of the then current initial franchise fee for a first franchise (or equivalent franchise concept then offered by Kings Road) or $10,000.

**18.4 Exercise of Option for Successor Franchise**. Franchisee may exercise its option for a successor franchise by giving written notice of such exercise to Kings Road not more than 270 nor less than 180 days prior to the scheduled expiration of this Agreement. Franchisee's successor franchise rights shall become effective by signing the Franchise Agreement then currently being offered to new franchisees of Kings Road.

**18.5 Conditions of Refusal**. Kings Road shall not be obligated to offer Franchisee a successor franchise upon the expiration of this Agreement if Franchisee fails to comply with any of the above conditions for acquiring successor franchise rights. In such event (except for failure to execute the then current Franchise Agreement or pay the successor franchise fee), Kings Road shall give Franchisee notice of expiration at least 180 days prior to the expiration of the term, and such notice shall set forth the reasons for such refusal to offer successor franchise rights. Upon the expiration of this Agreement, Franchisee shall comply with the provisions of Section 19.3 below.

## 19. DEFAULT AND TERMINATION

**19.1 Termination by Kings Road - Effective Upon Notice**. Kings Road shall have the right, at its option, to terminate this Agreement and all rights granted Franchisee hereunder, without affording Franchisee any opportunity to cure any default (except where expressly indicated and subject to any state laws to the contrary, where state law shall prevail), effective upon notice to Franchisee upon the occurrence of any of the following events:

a. **Abandonment**. If Franchisee ceases to operate the KINGS ROAD Espresso Bar or otherwise abandons the KINGS ROAD Espresso Bar for a period of three consecutive days, or any shorter period that indicates an intent by Franchisee to discontinue operation of the KINGS ROAD Espresso Bar. Franchisee's suspension or termination of the Espresso Bar's operation due to fire, flood, earthquake or force majeure shall not be deemed abandonment.

b. **Insolvency; Assignments**. If Franchisee becomes insolvent or is adjudicated a bankrupt; or if any action is taken by Franchisee, or by others against Franchisee under any insolvency, bankruptcy or reorganization act, (this provision may not be enforceable under federal bankruptcy law, 11 U.S.C. §§ 101 et seq.); or if Franchisee makes an assignment for the benefit of creditors or a receiver is appointed by Franchisee.

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

d. **Criminal Conviction**. If Franchisee, or any of its owners, managing members, or Certified Managers (collectively "**Principals**"), is convicted of a felony, a crime involving moral turpitude, or any crime or offense that is reasonably likely, in the sole opinion of Kings Road, to materially and unfavorably affect the Licensed Methods, Marks, goodwill or reputation thereof.

e. **Failure to Make Payments**. If Franchisee fails to pay any, inventory or supply payments or any other amounts due Kings Road or its affiliates, including any amounts which may be due as a result of any subleases or lease assignments between Franchisee and Kings Road, within five days after notice to Franchisee that such fees or amounts are overdue.

f. **Misuse of Marks**. If Franchisee misuses or fails to follow Kings Road's directions and guidelines concerning use of Kings Road's Marks and fails to correct the misuse or failure within 48 hours after notification from Kings Road.

g. **Unauthorized Disclosure**. If Franchisee intentionally or negligently discloses to any unauthorized person the contents of or any part of Kings Road's Resource Center Materials or any other trade secrets or confidential information of Kings Road.

h. **Violation of Restrictive Covenants**. If Franchisee, its affiliates, Principals or any individual subject to the Restrictive Covenants described in Article 21 intentionally or negligently violates those covenants.

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

j. **Unauthorized Transfer**. If Franchisee sells, transfers or otherwise assigns the Franchise, an interest in the Franchise or Franchisee entity, this Agreement, the KINGS ROAD Espresso Bar or a substantial portion of the assets of the KINGS ROAD Espresso Bar owned by Franchisee without complying with the provisions of Article 17 above.

k. **Insufficient Funds Checks**. If Franchisee tenders to Kings Road or its affiliated companies a no account or insufficient funds check as payment for amounts due two or more times during the term of this Agreement.

l. **Health and Safety**. If Franchisee operates the Espresso Bar in a manner that imminently endangers the public health or safety including, without limitation, failure to comply with the terms and conditions of any mandatory product recall promptly upon receipt of notice from Kings Road or public health officials of such recall.

m. **Misrepresentations**. If Franchisee (or any of the owners of Franchisee) have made or make material representations or omissions in acquiring the franchise or operating the Espresso Bar.

n. **Purchase from Unapproved Supplier**. If Franchisee purchases any products, equipment, materials, supplies and services for use or sale in its KINGS ROAD Espresso Bar from a supplier who has not been approved or designated by Kings Road for such item and fails to cure the default within 48 hours after notification from Kings Road.

o. **Failure to Maintain Standards or Comply with Resource Center Materials**. If Franchisee fails to maintain the then current operating procedures and adhere to the specifications and standards established by Kings Road as set forth herein or in the then current Resource Center Materials or otherwise communicated to Franchisee, and fails to cure the default within 48 hours.

p. **Sexual Harassment or Discrimination**. Kings Road receives credible evidence, which it verifies to its satisfaction, that Franchisee, any of its Principals, or any other management level employee of Franchisee, has sexually harassed or intimidated any individual or intentionally engaged in any racial, ethnic, religious, sexual, or other offensive discrimination against any individual or group.

q. **Executive Order 13224. Patriot Act**. Franchisee, or any officer, director, member, manager, or partner of Franchisee (as applicable), or any Principal, violates or becomes subject to United States Executive Order 13224 or The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "**Patriot Act**").

r. **Breach of Other Agreement**. Franchisee breaches the terms of any other agreement between Kings Road and Franchisee and fails to cure said breach during any applicable cure period provided in the other agreement.

s. **Inadequate Guaranties**. Any guaranty of this Agreement fails to be a continuing obligation fully enforceable against the guarantor signing the guaranty, or there is any inadequacy of the guaranty or guarantor and the guarantor is unable to provide adequate assurances as required by Kings Road.

t. **Filing Non-Compliant Legal Action.** Franchisee or any of the Franchisee Affiliates, as defined in **Section 23.1**, files or otherwise commences litigation, arbitration, or any other legal action against Kings Road or any of the Kings Road Affiliates, as defined in **Section 23.1**, that is not in compliance with the dispute resolution terms agreed upon in **Article 23** as may be modified by any applicable rider in Attachment V, and fails to dismiss such action within 7 days after notification from Kings Road.

**19.2 Termination by Kings Road - 30 Days' Notice**. Kings Road shall have the right to terminate this Agreement (subject to any state laws to the contrary, where state law shall prevail), effective upon 30 days' written notice to Franchisee, if Franchisee breaches any provision of this Agreement other than those provisions listed in Section 19.1 above and fails to cure the default during such 30-day period. In that event, this Agreement will terminate without further notice to Franchisee, effective upon expiration of the 30-day period. Defaults shall include, but not be limited to, any one the following:

a. **Deceptive Practices**. Franchisee engages in any unauthorized business or practice or sells any unauthorized product or service under Kings Road's Marks or under a name or mark which is confusingly similar to Kings Road's Marks.

b. **Failure to Obtain Consent**. Franchisee fails, refuses or neglects to obtain Kings Road's prior written approval or consent as required by this Agreement.

Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within such 30-day period and Franchisee has commenced and is continuing to make good faith efforts to cure the breach during such 30-day period, Franchisee shall be given an additional reasonable period of time to cure the same, and this Agreement shall not automatically terminate without written notice from Kings Road.

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

a. Pay to Kings Road all inventory, supply and, other fees or charges by Kings Road or its affiliates, and any and all amounts or accounts payable then owed Kings Road or its affiliates pursuant to this Agreement, or pursuant to any other agreement, whether written or oral, including subleases and lease assignments, between the parties.

b. Cease to identify itself as a Kings Road franchisee or publicly identify itself as a former Franchisee or use any of Kings Road's trade secrets, signs, symbols, devices, trade names, trademarks or other materials.

c. Cease to identify the Franchised Location as being, or having been, associated with Kings Road and, if deemed necessary by Kings Road, paint or otherwise change the interior and exterior of the Espresso Bar to distinguish it from a KINGS ROAD Espresso Bar and immediately cease using any proprietary mark of Kings Road or any mark in any way associated with the Mark and Licensed Methods or any mark confusingly similar to the Mark.

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

e. Immediately deliver to Kings Road the Resource Center Materials and all other information, software, documents and copies thereof which are proprietary to Kings Road, including but not limited to all customer information contained in computer databases or otherwise.

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

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

h. If applicable, take such action as may be required to remove from the Internet all sites and social media accounts referring to Franchisee's former KINGS ROAD Espresso Bar or any of the Marks and to cancel or assign to Kings Road, in Kings Road's sole discretion, all rights to any domain names for any sites on the Internet and social media accounts that refer to Franchisee's former KINGS ROAD Espresso Bar or any of the Marks.

i. Abide by all restrictive covenants set forth in Article 21 of this Agreement.

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

## 20. BUSINESS RELATIONSHIP

**20.1 Independent Businesspersons**. The parties acknowledge that each of them are independent businesspersons, that their only relationship is by virtue of this Agreement and that no fiduciary relationship is created hereunder. Neither party is liable or responsible for the other's debts or obligations, nor shall either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business authorized by or conducted pursuant to this Agreement. Neither Kings Road nor Franchisee will hold themselves out to be the agent, employer or partner of the other and neither Kings Road nor Franchisee has the authority to bind or incur liability on behalf of the other. All employees hired by or working for Franchisee shall be the employees of Franchisee and shall not, for any purpose, be deemed employees of Kings Road or subject to Kings Road's control. Neither this Agreement nor the course of conduct between Kings Road and Franchisee is intended, nor may anything in this Agreement (or the course of conduct) be construed, to state or imply that Kings Road is the employer of Franchisee's Authorized Representatives, or vice versa. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations. Notwithstanding any other provisions in this Agreement, Kings Road shall not be responsible for supervising the activities of Franchisee's KINGS ROAD Espresso Bar or ensuring that the KINGS ROAD Espresso Bar is operated in compliance with applicable laws. Franchisee shall conspicuously post a notice in the Espresso Bar identifying the Franchised Location as being individually owned and operated by Franchisee.

**20.2 Payment of Third Party Obligations**. Kings Road shall have no liability for Franchisee's obligations to pay any third parties, including without limitation, any product vendors, or any sales, use, service, occupation, excise, gross receipts, income, property or other tax levied upon Franchisee, Franchisee's property, the KINGS ROAD Espresso Bar or upon Kings Road in connection with the sales made or business conducted by Franchisee (except any taxes Kings Road is required by law to collect from Franchisee with respect to purchases from Kings Road).

**20.3 Indemnification**. Franchisee shall indemnify, defend and hold harmless Kings Road, its subsidiaries, parents and affiliates, and their respective shareholders, directors, officers, managers, members, employees, agents, successors and assignees (the "**Indemnified Parties**"), against, and to reimburse them for all claims, obligations and damages described in this Section 20.3, any and all third party obligations described in Section 20.2 and any and all claims and liabilities directly or indirectly arising out of the operation of the KINGS ROAD Espresso Bar or arising out of the use of the Marks and Licensed Methods in any manner not in accordance with this Agreement, including without limitation any claims alleging violations of any laws including labor and employment laws. For purposes of this indemnification, claims shall mean and include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. This indemnification includes any claims arising from the acts or omissions of Franchisee's employees and agents. Kings Road shall have the right to defend any such claim against it. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

## 21. RESTRICTIVE COVENANTS

**21.1 Non-Competition During Term**. Franchisee acknowledges that, in addition to the license of the Marks hereunder, Kings Road has also licensed commercially valuable information which comprises and is a part of the Licensed Methods, including without limitation, operations, marketing, advertising and related information and materials and that the value of this information derives not only from the time, effort and money which went into its compilation, but from the usage of the same by all the franchisees of Kings Road using the Marks and Licensed Methods. Therefore, other than the KINGS ROAD Espresso Bar licensed herein or authorized by separate agreement with Kings Road, neither Franchisee nor any of Franchisee's officers, directors, shareholders, members, managers or partners, nor any member of his or their immediate families, shall during the term of this Agreement:

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

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

c. divert or attempt to divert any business related to, or any customer or account of the KINGS ROAD Espresso Bar, Kings Road's business or any other Kings Road franchisee's business, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of Kings Road or another franchisee licensed by Kings Road to use the Marks and Licensed Methods, to any Competitive Business by any direct inducement or otherwise.

The term "**Competitive Business**" as used in this Agreement shall mean any business operating, or granting franchises or licenses to others to operate, a retail or wholesale business deriving more than 10 percent of its gross receipts from preparation of or sale of coffees, espresso drinks, teas and related drink items, similar to those now or in the future offered or sold by KINGS ROAD Espresso Bars. Notwithstanding the foregoing, Franchisee shall not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 5 percent or less of that class of securities issued and outstanding.

The term "**immediate family**" as used in this Article 21 shall mean and include any spouse, domestic partner, children, parents or siblings.

**21.2 Post-Termination Covenant Not to Compete**. Upon termination or expiration of this Agreement for any reason, Franchisee and its officers, directors, shareholders, members, managers and/or partners agree that, for a period of two years commencing on the effective date of termination or expiration, or the date on which Franchisee ceases to conduct business, whichever is later, neither Franchisee nor its officers, directors, shareholders, members, managers and/or partners shall have any direct or indirect interest (through a member of any immediate family of Franchisee or its owners or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, member, employee, consultant, representative or agent or in any other capacity in any Competitive Business, defined in Section 21.1 above, located or operating within a 10 mile radius of the Franchised Location, within 10 miles of any other franchised KINGS ROAD Espresso Bars or, within 10 miles of any company or affiliate owned KINGS ROAD Espresso Bars. If

Franchisee or any of the affiliated parties breaches this Section, the two-year period shall start on the date that such person is enjoined from competing or stops competing, whichever is later. Franchisee and its officers, directors, shareholders, members, managers and/or partners acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive them of their personal goodwill or ability to earn a living. If the restrictions concerning the time duration, geography, affected individuals or entities, or breadth of activity contained in Sections 21.1 and 21.2 are held to be unenforceable under any applicable law, the arbiter of any dispute regarding this Agreement is hereby authorized to and shall make only such limited changes as are necessary to make the restrictions enforceable.

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

**21.4 Confidentiality Agreements**. Kings Road reserves the right to require that Franchisee cause each of its officers, directors, partners, shareholders, members, managers, Certified Managers, and employees who have access to the Confidential Information, and their immediate family members, to execute a Nondisclosure and Noncompetition Agreement containing the above restrictions, in a form approved by Kings Road containing the restrictive covenants of this Agreement. If Kings Road requires any immediate family member to execute a Nondisclosure and Noncompetition Agreement subsequent to the execution of this Agreement by Franchisee, Franchisee must use its best efforts to cause that immediate family member to execute the Nondisclosure and Noncompetition Agreement. Franchisee will provide to Kings Road a copy of each Nondisclosure and Noncompetition Agreement signed by any such individual immediately following its execution and thereafter upon Kings Road's request.

**21.5 Non-Disparagement**. Franchisee agrees that it shall not take any action or make any statements to any third parties that would constitute a criticism, denigration or disparagement of Kings Road or its Licensed Methods or would tend to be injurious to the reputation or goodwill of Kings Road or its Marks, or which in any manner may interfere with the business affairs or business relations of Kings Road.

**21.6 Interpretation**. All parties to this Agreement acknowledge that this Article has been fully negotiated and has been entered into freely. If any provision of this Article 21 shall be held to be invalid by any tribunal, the terms of said invalid provision shall be modified to the least possible extent so as to make the provision valid. This Article shall not be interpreted against either party as drafter.

**21.7 Claims Are Not Defenses to Covenants**. Franchisee expressly agrees that the existence of any claim it may have against Kings Road, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Kings Road of the covenants of this Article 21. Franchisee further agrees that Kings Road shall be entitled to set off from any amount owed by Kings Road to Franchisee any loss or damage to Kings Road resulting from Franchisee's breach of this Article 21.

## 22. INSURANCE

**22.1 Insurance Coverage**. Franchisee shall procure, maintain and provide evidence of:

a. comprehensive general liability insurance for the Franchised Location and its operations with a limit of not less than $1,000,000 combined single limit or with such greater limits or such other terms and conditions as may be described in the Resource Center Materials or required as part of any lease agreement for the Franchised Location;

b. products liability coverage in such amounts as set forth in the Resource Center Materials;

c. unemployment and worker's compensation insurance with a broad form all-states endorsement coverage sufficient to meet the requirements of the law;

d. all-risk personal property insurance in an amount equal to at least 100 percent of the replacement costs of the contents and tenant improvements located at the KINGS ROAD Espresso Bar;

e. automobile liability insurance covering all employees of the KINGS ROAD Espresso Bar with authority to operate a motor vehicle, in an amount not less than $1,000,000 or, with the prior written consent of Kings Road, such lesser amount as may be available at a commercially reasonable rate, but in no event less than any statutorily imposed minimum coverage;

f. non-owned automobile coverage, as referenced in Section 22.2 below;

g. builder's risk coverage, on an all risk perils basis, during the period of renovations, alterations and other work on the Franchised Location, in an amount equal to the full replacement value of the building;

h. an umbrella policy with a limit of not less than $1,000,000 or with such other limit, terms and conditions as may be described in the Resource Center Materials; and

i. such other insurance including, without limitation, business interruption, the type, coverage amounts, and other terms and conditions of which will be described in the Resource Center Materials.

All of the required policies of insurance shall name Kings Road as an additional insured, unless waived by Kings Road in writing, and shall provide for a 30 day advance written notice to Kings Road of cancellation. Kings Road shall have the right to change the type of insurance Franchisee is required to maintain and upon 60 days prior written notice to Franchisee to revise the coverage limits described in this Section 22.1.

**22.2 Non-Owned Automobile Coverage**. Franchisee shall be responsible for assuring that each driver who delivers food, drinks and other products offered by the KINGS ROAD Espresso Bar in his or her own vehicle for Franchisee maintains automobile insurance coverage for bodily injury, property damage and personal liability in such amounts meeting the minimum statutory requirements under the laws of the state in which the KINGS ROAD Espresso Bar is located, or as may be reasonably set by Kings Road or an approved non-owned automobile insurer from time to time. Language reflecting this requirement shall be contained in Franchisee's insurance policies. The maintenance of insurance by Franchisee's drivers is a strict requirement which Franchisee shall rigorously enforce. Franchisee shall also carry non-owned automobile insurance coverage from a carrier designated or approved by Kings Road, with minimum policy limits as shall first be approved by Kings Road.

**22.3** **<u>Proof of Insurance Coverage</u>**. Franchisee will provide proof of insurance to Kings Road prior to commencement of operations at its KINGS ROAD Espresso Bar. This proof will show that the insurer has been authorized to inform Kings Road in the event any policies lapse or are cancelled. Kings Road has the right to change the type of insurance Franchisee is required to maintain by giving Franchisee prior reasonable notice, giving due consideration to what is reasonable and customary in the similar business. Noncompliance with the insurance provisions set forth herein shall be deemed a material breach of this Agreement; in the event of any lapse in insurance coverage, in addition to all other remedies, Kings Road shall have the right to demand that Franchisee cease operations of the KINGS ROAD Espresso Bar until coverage is reinstated, or, in the alternative, pay any delinquencies in premium payments and charge the same back to Franchisee.

## 23. DISPUTE RESOLUTION

**23.1** **<u>Arbitration</u>**. All controversies, disputes claims, causes of action and/or alleged breaches or failures to perform between Kings Road, its subsidiaries and affiliated companies, and/or its or their shareholders, members, managers, officers, directors, agents, employees and attorneys, in their representative capacity (collectively, the "**Kings Road Affiliates**"), on the one side, and Franchisee, and its affiliated companies and/or its or their Certified Managers, employees, officers, directors, owners, and/or guarantors (collectively, the "**Franchisee Affiliates**"), on the other side, if applicable, arising out of or related to: (1) this Agreement; (2) the relationship of the parties; (3) the validity of this Agreement; or (4) any Licensed Methods will be submitted for arbitration on demand of either party to the Denver, Colorado office of either the Judicial Arbiter Group ("**JAG**") or the American Arbitration Association ("**AAA**"), as selected by the party submitting the demand; except for actions brought which are related to or based on the Marks or to enforce the provisions of <u>Article 21</u> of this Agreement, which actions Kings Road, at its option, may bring either in a court of competent jurisdiction or in arbitration. Notwithstanding the language above, if the action is based on a separate agreement or instrument between Franchisee or any of the Franchisee Affiliates and Kings Road or any of the Kings Road Affiliates, such as a promissory note or lease, the dispute resolution procedure in that agreement or instrument will control rather than this <u>Section 23.1</u>; provided, that, at Kings Road's sole option, any claim of Kings Road or any Kings Road Affiliates against Franchisee or any of the Franchisee Affiliates based on such other agreement or instrument may be brought in arbitration in conjunction with a dispute between the parties that is subject to arbitration under this Section, regardless of any provisions to the contrary contained in that other agreement or instrument. Arbitration proceedings will be conducted in Denver, Colorado and will be heard by one arbitrator in accordance with the then current rules of the AAA that apply to commercial arbitration. The decision as to whether a claim is subject to mandatory arbitration shall be made by an arbitrator, not a court, except that the decision whether the arbitration may proceed as a class action shall be made by a court. The arbitrator shall be a resident of the State of Colorado knowledgeable of Colorado law and fluent in English. The arbitration proceeding and all other hearings shall be conducted in English only, although Franchisee shall have the right, at Franchisee's option and sole expense, to have a translator present at the proceeding or other hearings. The expense of a translator shall not be considered a cost or expense related to an action pursuant to <u>Section 24.6</u> of this Agreement. The parties further agree that, in connection with any such arbitration proceeding, each will file any compulsory counterclaim, as defined by Rule 13 of the Federal Rules of Civil Procedure, within 30 days after the date of the filing of the claim to which it relates. Any party to an arbitration proceeding may apply to the arbitrator for reasonable discovery from the other. In this Agreement, "reasonable discovery" means a party may submit no more than 10 interrogatories, including subparts, 25 requests for admission, 25 document requests, and three depositions per side of the dispute. The foregoing discovery rights and limitations shall control over any contradictory discovery rules of AAA, unless the parties agree otherwise.

**23.2 Arbitration Award**. Subject to Sections 23.6 and 23.8 below, the arbitrator will have the right to award or include in the award any relief which he or she deems proper in the circumstances, including, without limitation, money damages, with interest on unpaid amounts from the date due, specific performance, and attorneys' fees and costs in accordance with Section 24.6 of this Agreement. Any award shall be based on established law and shall not be made on broad principles of justice and equity. The award and decision of the arbitrator will be conclusive and binding upon all parties hereto and judgment upon the award may be entered in any court of competent jurisdiction. This Section will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

**23.3 Limitations on Proceedings**.

a. Kings Road and Franchisee agree that arbitration will be conducted on an individual basis only. Neither party shall commence any arbitration with a third party against the other, or join with any third party in any arbitration involving Kings Road and Franchisee other than the Kings Road Affiliates and the Franchisee Affiliates. Further, neither Kings Road nor Franchisee shall attempt to consolidate or otherwise combine in any manner an arbitration proceeding involving Kings Road and Franchisee with another arbitration of any kind, nor shall Kings Road or Franchisee attempt to certify a class or participate as a party in a class action against the other.

b. The foregoing notwithstanding, in the event Franchisee controls, is controlled by or is in active concert with another franchisee, distributor, or developer of Kings Road, or there is a guarantor of some or all of the Franchisee's obligations to Kings Road, then the joinder of those parties to any arbitration between Kings Road and Franchisee shall be permitted, and in all events, the joinder of an owner, director, officer, manager, partner or other representative or agent of Franchisee shall be permitted.

c. Franchisee agrees that no claims may be brought on its behalf or on behalf of any of the Franchisee Affiliates by any third party, including but not limited to any association representing Franchisee.

**23.4 Injunctive Relief**. Notwithstanding anything to the contrary contained in this Article 23, Kings Road and Franchisee will each have the right in a proper case to obtain temporary or preliminary injunctive relief from a court of competent jurisdiction. Each party agrees that the other party may have such temporary or preliminary injunctive relief, without bond, but upon due notice, and with the sole remedy in the event of the entry of such injunctive relief being the dissolution of such injunctive relief, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of such injunction being expressly waived by each party). Any such action will be brought as provided in Section 23.5 below.

**23.5 Governing Law/Consent to Jurisdiction/Waiver of Jury Trial**. The United States Federal Arbitration Act shall govern all questions about the enforceability of Sections 23.1 and 23.2, and the confirmation of any arbitration awards pursuant to such procedures, and no arbitration issues are to be resolved pursuant to any other statutes, regulations or common law. Otherwise, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or applicable International trademark law, this Agreement shall be interpreted under the laws of the State of Colorado and any dispute between the parties shall be governed by and determined in accordance with the internal substantive laws, and not the laws of conflict, of the State of Colorado, which laws shall prevail in the event of any conflict of law. Notwithstanding the foregoing, the parties agree that the Colorado

Consumer Protection Act (COLO. REV. STAT. ANN. Sections 6-1-101, et seq.) shall not apply to this Agreement or any disputes between the parties. Franchisee and Kings Road have negotiated regarding a forum in which to resolve any disputes that arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding not subject to mandatory arbitration, as specified in Section 23.1 above, involving Franchisee and/or the Franchisee Affiliates, on the one side, and Kings Road and/or the Kings Road Affiliates, on the other side, both parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Colorado, and each waive any objection either may have to the personal jurisdiction of or venue in the state and federal courts of Colorado. Notwithstanding the foregoing, any legal proceeding by Kings Road or any Kings Road Affiliate not subject to mandatory arbitration may be brought in any court of competent jurisdiction in the country, state, province, or other geographic area in which Franchisee's Espresso Bar is located or in which Franchisee or any Franchisee Affiliate resides or owns assets. **IF A CLAIM MAY BE BROUGHT IN COURT, THEN KINGS ROAD, THE KINGS ROAD AFFILIATES, FRANCHISEE AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

**23.6** **No Punitive or Consequential Damages**. Except for Franchisee's obligation to indemnify Kings Road under Section 20.3 above, as specifically permitted elsewhere in this Agreement, or as may be required by statute, neither Kings Road or any of the Kings Road Affiliates, on the one side, nor Franchisee or any of the Franchisee Affiliates, on the other side, shall be liable to the other for punitive, consequential, or other damages not measured by the other party's actual damages, in any action between the parties.

**23.7** **Limitation on Actions**. Notwithstanding anything contained in this Agreement to the contrary, any and all claims and actions arising out of or relating to this Agreement, the relationship between Franchisee and Kings Road, or Franchisee's operation of the KINGS ROAD Espresso Bar shall be commenced within one year from the occurrence of the facts giving rise to the claim or action.

**23.8** **No Recourse**. Franchisee agrees that its sole recourse for claims (whether in contract or in tort, in law or in equity, or granted by statute) arising between the parties shall be against Kings Road or its successors and assigns. Franchisee agrees that the shareholders, directors, officers, employees, managers, members, and agents of Kings Road and its affiliates (the "**Nonparty Affiliates**") shall not be personally liable nor named as a party in any action between Kings Road and Franchisee. To the maximum extent permitted by law, Franchisee waives any such claims against such Nonparty Affiliates.

## 24. MISCELLANEOUS PROVISIONS

**24.1** **Modification**.

a. This Agreement may only be modified upon execution of a written agreement between Kings Road and Franchisee or, at Kings Road's option, upon notice of the approval of a Super-Majority as defined in Section 24.1.b below. Unless prohibited by law or waived by Kings Road, Franchisee must provide a general release of any and all claims against Kings Road if Franchisee requests and Kings Road consents to modify any provisions of this Agreement after it has been signed.

b. This Agreement may be modified by Kings Road at its option whenever Kings Road and a Super-Majority, as hereinafter defined, of franchisees and licensees of Kings Road agree to any such modification. A "**Super-Majority**" of Kings Road franchisees or licensees shall consist of the owners of at least 75 percent of all KINGS ROAD Espresso Bars franchises and licenses, or, if only a portion of KINGS ROAD Espresso Bars are affected by the modification, at least 75 percent of those KINGS ROAD Espresso Bars franchises and licenses affected by the modification. Whenever a modification is approved by a Super-Majority, Kings Road may elect to treat the modification as effective to all franchisees and licensees or the applicable group thereof, including Franchisee, to the same extent and in the same manner as if the modification was unanimously approved by them, and regardless of whether Franchisee may or may not desire to be bound by the modification. Kings Road shall provide Franchisee with notice of any modification to this Agreement based on a Super-Majority approval at least 30 days prior to the date such modification is to be effective. By signing this Agreement, Franchisee appoints the officers of Kings Road as its attorneys in fact with irrevocable power and authority to execute any such modification so approved.

c. Franchisee acknowledges that Kings Road may modify its standards and specifications and operating, marketing, and other policies and procedures set forth in the Resource Center Materials unilaterally under any conditions and to the extent in which Kings Road, in its sole determination, deems necessary or desirable. These modifications may include regional and local variations. Franchisee shall be bound by and incorporate into its Espresso Bar these modifications. Franchisee may be obligated to invest additional capital in Franchisee's Espresso Bar and incur higher operating costs based on these periodic modifications.

d. Kings Road has the right to vary the franchise agreement and any standards, specifications, and techniques for a particular Kings Road franchisee based on the circumstances related to the franchisee, its area or territory, or any other condition. Franchisee shall not be entitled to require Kings Road to grant Franchisee a similar variation.

**24.2** **Entire Agreement**. This Agreement, including all attachments and addenda, contains the entire agreement between the parties and supersedes any and all prior agreements concerning the subject matter hereof. Franchisee acknowledges that it has not relied on any verbal representations or commitments made prior to the execution hereof and agrees that Kings Road will not be liable or obligated for any claims of negligent or fraudulent misrepresentation based on any such verbal representations or commitments. Kings Road does not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement and in the most recent Franchise Disclosure Document ("**FDD**") provided to Franchisee by Kings Road or its representatives in connection with this Agreement. Franchisee further acknowledges and agrees that no representations have been made to it by Kings Road regarding projected sales volumes, market potential, revenues, profits of Franchisee's KINGS ROAD Espresso Bar, or operational assistance other than as stated in this Agreement and in the most recent FDD provided to Franchisee by Kings Road.

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

**24.4** **Effective Date**. This Agreement shall not be effective until accepted by Kings Road as evidenced by dating and signing by an officer or manager of Kings Road.

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

**24.6** **Attorneys' Fees**. In the event of any dispute between the parties to this Agreement, in addition to all other remedies, the non-prevailing party in any legal action, arbitration or other proceeding shall pay the prevailing party all amounts due and all damages, costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in such action or other proceeding.

**24.7** **<u>No Waiver</u>**. No delay, waiver, omission or forbearance of any option, condition or covenant contained in this Agreement or failure to exercise a right or remedy by Kings Road or Franchisee shall be considered to imply or constitute a further waiver by Kings Road or Franchisee of the same or any other option, condition, covenant, right or remedy. Subsequent acceptance by Kings Road of any payments due to it hereunder shall not be deemed to be a waiver by Kings Road of any preceding breach by Franchisee of any terms, provisions, covenants or conditions of this Agreement.

**24.8** **<u>No Right to Set Off</u>**. Franchisee shall not be allowed to set off amounts owed to Kings Road for Royalty Fees, Marketing and Technology Fee, if applicable, or other fees or amounts due hereunder, against any monies owed to Franchisee, nor shall Franchisee in any event withhold such amounts due to any alleged nonperformance by Kings Road hereunder, which right of set off is hereby expressly waived by Franchisee.

**24.9** **<u>Invalidity</u>**. If any provision of this Agreement is held invalid by any tribunal in a final decision from which no appeal is or can be taken, such provision shall be deemed modified to eliminate the invalid element and, as so modified, such provision shall be deemed a part of this Agreement as though originally included. The remaining provisions of this Agreement shall not be affected by such modification.

**24.10** **<u>Notices</u>**. All notices required to be given under this Agreement shall be given in writing, by certified mail, return receipt requested, or by an overnight delivery service providing documentation of receipt, to Franchisee at the address set forth below its signature on the signature page hereto, to Kings Road at the address set forth at the start of this Agreement, or at such other addresses as Kings Road or Franchisee may designate from time to time, and shall be effectively given when deposited in the United States mail, postage prepaid, or when received via overnight delivery, as may be applicable.

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

**24.12** **<u>Payment of Taxes</u>**. Franchisee shall reimburse Kings Road, or its affiliates and designees, promptly and when due, the amount of any state sales taxes, use taxes, personal property taxes and similar taxes imposed upon, required to be collected or paid by Kings Road, or its affiliates or designees, on account of services or goods furnished by Kings Road, its affiliates or designees, to Franchisee through sale, lease or otherwise (except for any taxes Kings Road or its affiliates are required by law to collect from Franchisee with respect to products purchased from Kings Road and its affiliates), or on account of collection by Kings Road of the franchise fee, or any other payments made by Franchisee to Kings Road required under the terms of this Agreement.

**24.13** **<u>Cumulative Rights</u>**. The rights and remedies of Kings Road and Franchisee hereunder are cumulative and no exercise or enforcement by Kings Road or Franchisee of any right or remedy hereunder shall preclude the exercise or enforcement by Kings Road or Franchisee of any other right or remedy hereunder which Kings Road or Franchisee is entitled by law to enforce.

**24.14** **<u>Approvals</u>**. Whenever this Agreement requires the prior approval or consent of Kings Road, Franchisee shall make a timely written request to Kings Road therefore, and such approval or consent must be obtained in writing.

**24.15** **<u>Force Majeure</u>**. Kings Road will not be liable to Franchisee, nor will Kings Road be deemed to be in breach of this Agreement, if it exercises best efforts to perform its obligations as may be due to Franchisee hereunder, and its failure to perform its obligations results from: (1) transportation shortages, inadequate supply of labor, material or energy, or voluntarily foregoing the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instruments of any federal, state, provincial, or municipal government or any department or agency thereof; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, provincial, or municipal government or any department or agency thereof; (3) acts of God; or (4) fires, strikes, terrorism, embargoes, war or riot. Any delay resulting from any of these causes will extend performance by Kings Road accordingly or excuse performance by Kings Road in whole or in part, as may be necessary.

**24.16 Cross-Default and Cross Termination Provisions**.

a. A default by Franchisee under this Agreement will be deemed a default of all agreements between Franchisee and/or any company(ies) affiliated with Franchisee, on the one hand, and Kings Road and/or any company(ies) affiliated with Kings Road, on the other hand (the "**Other Agreements**"). A default by Franchisee and/or any company(ies) affiliated with Franchisee under any of the Other Agreements will be deemed a default under this Agreement. A default by any guarantor(s) of this Agreement or of any of the Other Agreements will be deemed a default of this Agreement.

b. If this Agreement is terminated as a result of a default by Franchisee, Kings Road may, at its option, elect to terminate any or all of the Other Agreements. If any of the Other Agreements is terminated as a result of a default by Franchisee and/or any company(ies) affiliated with Franchisee, Kings Road may, at its option, elect to terminate this Agreement. It is agreed that an incurable or uncured default under this Agreement or any of the Other Agreements will be grounds for termination of this Agreement and/or any and all of the Other Agreements without additional notice or opportunity to cure.

**24.17 Charges and Taxes**. All provisions in this Agreement stating that Franchisee will pay or be responsible for any costs, charges, or taxes includes all customs or duty charges, foreign currency purchase levies, import and export fees and levies, and other similar costs, charges and taxes.

**24.18 Incorporation of Riders**. To the extent that any of the Riders to Franchise Agreement for Specific States attached as Attachment V is applicable, such rider is incorporated herein and this Agreement is modified accordingly. The provisions in any applicable rider are included as a condition to registration or use in certain jurisdictions, and Kings Road is not precluded from contesting the validity, enforceability, or applicability of such provisions in any action relating to this Agreement or its rescission or termination.

**24.19 Counterparts and Electronic Signature**. This Agreement and all riders and addenda hereto may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement, any riders or addenda hereto, and any other agreements entered into with Kings Road by facsimile or in electronic format shall be effective as delivery of a manually executed counterpart of this Agreement or such other document. The words "execution", "signed", "signature", and words of similar meaning in this Agreement shall be deemed to include electronic or digital signatures or the keeping of records in electronic form, each of which shall be of the same effect, validity, and enforceability as manually executed signatures or a paper-based recordkeeping system to the extent and as provided for under applicable laws.

**24.20 No Warranties or Guarantees**. Franchisee acknowledges and agrees that Kings Road makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by providing any waiver, approval, consent, or suggestion in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefore.

**24.21** **Acknowledgement**. BEFORE SIGNING THIS AGREEMENT, FRANCHISEE SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL. THE FRANCHISEE ACKNOWLEDGES THAT:

(A) THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED HEREIN INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON THE FRANCHISEE'S ABILITY AS AN INDEPENDENT BUSINESS PERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS, AND

(B) NO ASSURANCE OR WARRANTY, EXPRESS OR IMPLIED, HAS BEEN GIVEN AS TO THE POTENTIAL SUCCESS OF SUCH BUSINESS VENTURE OR THE EARNINGS LIKELY TO BE ACHIEVED, AND

(C) NO STATEMENT, REPRESENTATION OR OTHER ACT, EVENT OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS DOCUMENT, AND IN ANY DISCLOSURE DOCUMENT SUPPLIED TO THE FRANCHISEE IS BINDING ON KINGS ROAD IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT.

The parties have executed this Agreement to be made effective as of ______________________.

**KINGS ROAD FRANCHISING LLC**, a Colorado limited liability company

By:______________________
Name:______________________
Title:______________________

**FRANCHISEE**

______________________
(Print Name)

______________________
Individually

**OR**:

(if a corporation, partnership or limited liability company)

______________________
Company Name

By:______________________
Name:______________________
Title:______________________

Address:______________________
City:______________________
State:______________ Zip:__________

**ATTACHMENT I TO**
**FRANCHISE AGREEMENT**

**ADDENDUM TO**
**KINGS ROAD FRANCHISING LLC**
**FRANCHISE AGREEMENT**

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

**OR**

**Designated Area**. Kings Road and Franchisee acknowledge that the Franchised Location and Protected Area cannot be designated in Paragraphs 1 and 2 as a specific address and related Protected Area because the location has not been selected and approved; therefore, within 90 days following the date of the Agreement, Franchisee shall select and obtain Kings Road's approval for a location for its KINGS ROAD Espresso Bar within the following geographic area ("**Designated Area**"): ______________________
______________________________________________________________
______________________________________________________________
______________________________________________________________.

2. **Protected Area**. The Protected Area set forth in Section 3.2 of the Agreement shall be:
______________________________________________________________
______________________________________________________________

3. **Franchise Fee**. Pursuant to Section 4.1 of the Agreement, Franchisee shall pay to Kings Road the initial franchise fee set forth below, due and payable as follows:

☐ Single or First Franchise - $50,000 payable on the date of execution of this Agreement.

☐ Second and Subsequent Franchise opened as an additional Espresso Bar under Multi-Unit Development Agreement - $40,000, payable $15,000 by application of the applicable portion of the Development Fee paid under the Multi-Unit Development Agreement, and $25,000 on the date of execution of this Agreement.

4. **Other Terms**.

5. **Acknowledgement**. By executing this Addendum and/or the Rider hereto, Franchisee acknowledges that Kings Road's approval of a site does not constitute a representation or warranty of any kind, express or implied, as to the suitability of the site for a KINGS ROAD Espresso Bar or for any other purpose and that Franchisee's acceptance of a franchise for the operation of a KINGS ROAD Espresso Bar at the site is based on its own independent investigation of the suitability of the site.

Fully executed ______________________________.

**KINGS ROAD FRANCHISING, LLC**

By:_______________________________________________
Title:_____________________________________________

**FRANCHISEE**

By:_______________________________________________
Title:_____________________________________________

**ATTACHMENT I-1**
**TO FRANCHISE AGREEMENT**

**RIDER TO ADDENDUM - LOCATION APPROVAL**

a. **Franchised Location**. The Franchised Location set forth in Section 3.1 of the Agreement shall be: ______________________________________________
______________________________________________
______________________________________________

b. **Protected Area**. The Protected Area set forth in Section 3.2 of the Agreement shall be:
______________________________________________
______________________________________________

Fully executed on ______________________.

**KINGS ROAD FRANCHISING, LLC**

By:______________________________
Title:____________________________

**FRANCHISEE**

By:______________________________
Title:____________________________

**ATTACHMENT II**
**TO FRANCHISE AGREEMENT**

**GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS**

In consideration of, and as an inducement to, the execution of the above Franchise Agreement (the "**Agreement**") by KINGS ROAD FRANCHISING LLC ("**Kings Road**"), each of the undersigned hereby personally and unconditionally:

Guarantees to Kings Road and its successors and assigns, for the term of this Agreement, including successor franchise terms, that the franchisee as that term is defined in the Agreement (the "**Franchisee**") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and

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

Each of the undersigned waives the following:

1. Acceptance and notice of acceptance by Kings Road of the foregoing undertaking;

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

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

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

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

Each of the undersigned consents and agrees that:

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

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

3. Such liability shall not be contingent or conditioned upon pursuit by Kings Road of any remedies against Franchisee or any other person; and

4. Such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Kings Road may from time to time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement, including successor franchise terms.

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

6. He or she shall be bound by the restrictive covenants and confidentiality provisions contained in Article 21 of the Agreement and the indemnification provision contained in Section 20.3 of the Agreement and such provisions are incorporated into this Guaranty by this reference; and

7. The governing law, venue, jurisdiction, injunctive relief, limitations on remedies and attorneys' fee provisions contained in Article 23 and Section 24.6 of the Agreement shall govern this Guaranty and such provisions are incorporated into this Guaranty by this reference.

8. This Guaranty may be executed by electronic signature.

9. **HE OR SHE WAIVES HIS OR HER RIGHT TO A TRIAL BY JURY**.

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

**GUARANTOR(S)**

______________________________

______________________________

______________________________

______________________________

**ATTACHMENT III**
**TO FRANCHISE AGREEMENT**

**STATEMENT OF OWNERSHIP**

**Franchisee:** ______________________________________________

**Trade Name** (if different from above): ______________________________

______________________________________________________________

Form of Ownership
(Check One)

_____ Individual _____ Partnership _____ Corporation _____ Limited Liability Company

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed and a copy of the Partnership Agreement certified by the Secretary of State for the State in which the Partnership was formed.

If a Limited Liability Company, provide name and address of each member and each manager showing percentage owned and indicate the state in which the Limited Liability Company was formed, provide a copy of the Operating Agreement, and provide a copy of the Articles of Organization or other formation document certified by the Secretary of State for the State in which the LLC was formed.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each and a copy of the Articles of Incorporation certified by the Secretary of State for the State in which the corporation was formed.

______________________________________________________________

______________________________________________________________

______________________________________________________________

______________________________________________________________

**Managing Owner:** ______________________________________________

Franchisee acknowledges that this Statement of Ownership applies to the KINGS ROAD Espresso Bar authorized under the Franchise Agreement.

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

______________________ ______________________

Date Signature

**ATTACHMENT IV**
**TO FRANCHISE AGREEMENT**

# CONDITIONAL ASSIGNMENT OF LEASE

## CONDITIONAL ASSIGNMENT OF LEASE

**THIS CONDITIONAL ASSIGNMENT OF LEASE** ("**Assignment**") is made as of this ____ day of ________________, 20___ by and between ______________________________, a __________ __________________ ("**Assignor**"), **KINGS ROAD FRANCHISING LLC**, a Colorado limited liability company ("**Assignee**") and ______________________________________, a ________________ ____________________________ ("**Landlord**").

**WHEREAS,** Assignor is a tenant ("**Tenant**") of certain property generally known as __________ __________________________________________________, located in the City of ____________________ _______, State of ____________________ ("**Property**"), pursuant to a lease by and between Landlord and Assignor, dated ____________________, 20____ (the "**Lease**");

**WHEREAS,** Assignor desires to construct, or have constructed by Landlord (whichever is applicable), and thereafter operate a KINGS ROAD Espresso Bar under a certain franchise agreement between Assignor and Assignee (the "**Franchise Agreement**"); and

**WHEREAS,** as a condition to the grant of rights under the Franchise Agreement to Assignor, Assignee requires that Assignor enter into this Assignment.

**NOW, THEREFORE,** for and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Assignor hereby assigns all of its right, title and interest in and to the Lease and the KINGS ROAD Espresso Bar to Assignee.

2. With the exception of Assignee's rights under paragraph 3 below and Assignor's and Landlord's respective obligations, representations and covenants under paragraphs 3, 4, 8, 9 and 10 below, the Conditional Assignment of lease contemplated hereunder is expressly conditioned upon, and shall not be effective and Assignee shall have no right to pursue any remedy hereunder unless and until:

   (a) Default by Assignor under the terms of the Lease, which default (i) is not cured by Assignor within the time limits provided therein or (ii) results in a demand for performance by Assignee under any guaranty of the Lease; or

   (b) Default by Assignor under the terms of the Franchise Agreement or under any document or instrument securing the Franchise Agreement, which default is not cured by Assignor within the time limits provided therein; or

   (c) Voluntary institution of any insolvency or bankruptcy proceedings as a debtor or involuntary insolvency or bankruptcy proceedings brought against Assignor which are not dismissed within 60 days of the filing thereof; or

   (d) Discontinuation by the Assignor of operation of the KINGS ROAD Espresso Bar to be located on the Property, whether voluntarily or involuntarily; or

   (e) Nonrenewal by Assignor of the Franchise Agreement; or

   (f) Nonrenewal by Assignor of the Lease.

3. During the term of the Lease, Landlord agrees to give Assignee written notice of all defaults of Assignor concurrently with the giving of such notice to Assignor. Landlord further agrees to give Assignee a 30-day period to cure such default, or 10 days after the period provided to the Assignor in the Lease, whichever period shall be longer.

4. In the event Assignee expends sums to cure a default, Assignor shall promptly reimburse Assignee for the cost incurred by Assignee in connection with such performance, together with interest thereon at the rate of 1.5 percent per month, or the highest rate allowed by law. Nothing herein shall obligate Assignee to cure any such default, unless Assignee elects to assume the Lease pursuant to Section 5 below.

5. The date upon which the assignment shall be effective (the "**Effective Date**"), is the date upon which Landlord and Assignor receive written notice from Assignee that:

(a) Assignee will cure all prior defaults of Assignor in the Lease in which Landlord has given notice to Assignee pursuant to the provisions of paragraph 3 above, and that Assignee will assume the Lease; or

(b) The events described in any of subsections 2(b), 2(c), 2(d), 2(e) or 2(f) above have occurred and that Assignee will assume the Lease.

6. As of the Effective Date, Assignee will assume all rights, duties, responsibilities and obligations of Assignor arising on or after the Effective Date pursuant to the terms and provisions of the Lease.

7. Landlord hereby consents to the terms and provisions of this Assignment, and to the assignment of the Lease to Assignee. Landlord further agrees that after the Effective Date, Assignee may (i) enter into a sublease or assignment of the Lease with any KINGS ROAD Espresso Bar franchisee who will operate the KINGS ROAD Espresso Bar located on the Property without Landlord's further consent, or (ii) further assign the Lease to a person, firm or corporation who shall agree to assume the tenant's obligations under the Lease and who is acceptable to Landlord. Landlord further agrees that upon the occurrence of any such assignment, Assignee shall have no further liability or obligation under the Lease as Assignee, tenant or otherwise, and that concurrent with such assignment, Landlord will enter into a replacement Conditional Assignment of Lease by and between Assignee and the new tenant.

8. Assignor agrees to indemnify and hold harmless Assignee from any loss, liability, cost or expense incurred or suffered by Assignee under this Assignment.

9. Assignor and Landlord agree not to allow any surrender, amendment, modification or termination of the Lease without the prior written consent of Assignee. Throughout the term of the Lease, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than 30 days prior to the last day said option must be exercised, unless Assignee otherwise agrees in writing. Upon Assignee's failure otherwise to agree in writing, and upon the failure of Assignor to elect to extend or renew the Lease, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal option in the name, place and stead of Assignor for the sole purpose of effecting such extension or renewal.

10. Assignor represents and warrants to Assignee that it has the full power and authority to assign the Lease and its interests therein and that Assignor has not previously assigned, transferred or pledged, and is not otherwise obligated to assign, transfer or pledge, any of its interests in the Lease or the leasehold estate created thereby.

11. All notices or demands required hereunder shall be made in writing and shall be deemed to be fully given when deposited in the U.S. certified mail, postage prepaid, return receipt requested or when sent via Federal Express or similar overnight courier to:

Assignee:

KINGS ROAD Franchising LLC
4014 S. Lemay Ave., #26
Fort Collins, Colorado 80525

Assignor:

____________________
____________________
____________________
____________________

Landlord:

____________________
____________________
____________________
____________________

12. Should any one or more of the provisions hereof be determined to be illegal or unenforceable, all other provisions hereof shall be given effect separately therefrom and shall not be affected thereby.

**IN WITNESS WHEREOF,** the parties hereto have executed this Assignment on the day and year first above written.

| | |
|---|---|
| **WITNESS/ATTEST:** | **ASSIGNOR:** |
| | ____________________ |
| ____________________ | By:____________________<br>Title:____________________<br>Date:____________________ |
| **WITNESS/ATTEST:** | **ASSIGNEE:**<br><br>**KINGS ROAD FRANCHISING LLC** |
| ____________________ | By:____________________<br>Title:____________________<br>Date:____________________ |
| **WITNESS/ATTEST:** | **LANDLORD:** |
| ____________________ | By: ____________________<br>Title: ____________________<br>Date:____________________ |

**ATTACHMENT V**
**TO FRANCHISE AGREEMENT**

**AUTHORIZATION AGREEMENT FOR PREAUTHORIZED PAYMENTS**
**(DIRECT DEBITS)**

The undersigned franchisee ("**Franchisee**") hereby (1) authorizes KINGS ROAD FRANCHISING LLC ("**Company**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account indicated below for payment of all fees, amounts and obligations that become payable by Franchisee to Company; and (2) authorizes and requests the depository designated below ("**Depository**") to debit such account pursuant to Company's instructions without responsibility for the correctness of these payments, subject to there being sufficient funds in Franchisee's account to cover such debit entries.

The dollar amount to be debited will vary and the dates on which the debits are initiated will vary.

| | |
|---|---|
| ______________________ Depository | ______________________ Branch |

| | | | |
|---|---|---|---|
| ______________________ Street Address | __________ City | ______ State | __________ Zip Code |

| | |
|---|---|
| ______________________ Bank Transit/ABA Number | ______________________ Account Number |

Franchisee states and acknowledges that the account described above has been established, and that this authority is extended, primarily for commercial purposes, and not for personal, family, or household purposes.

This authority is to remain in full force and effect until Depository has received joint written notification from Company and Franchisee of Franchisee's termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Franchisee agrees to not revoke any authorization for funds transfer prior to the termination of its Franchise Agreement with Company, without the prior written consent of Company. Any termination or dishonor of this authority shall not relieve Franchisee of its obligation to make payments to Company, whether pursuant to the Franchise Agreement or otherwise.

Franchisee is responsible for, and must pay on demand, all costs or charges relating to the handling of debit entries pursuant to this authority.

| | |
|---|---|
| ______________________ FRANCHISEE (Print Name) | ______________________ DEPOSITORY (Print Name) |

Franchisee:______________________
By:______________________
Title:______________________
Address:______________________
______________________
Date:______________________

| Franchisee should also provide Company with a voided check. |
|---|

**ATTACHMENT VI**
**TO FRANCHISE AGREEMENT**

**RIDERS TO FRANCHISE AGREEMENT FOR SPECIFIC STATES**

## CALIFORNIA RIDER TO FRANCHISE AGREEMENT

1. **Section 23.5** is deleted and replaced with the following language:

Governing Law/Consent to Jurisdiction/Waiver of Jury Trial. The United States Federal Arbitration Act shall govern all questions about the enforceability of Sections 23.1 and 23.2, and the confirmation of any arbitration awards pursuant to such procedures, and no arbitration issues are to be resolved pursuant to any other statutes, regulations or common law. Otherwise, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or applicable international trademark law, this Agreement shall be interpreted under the laws of the State of Colorado and any dispute between the parties shall be governed by and determined in accordance with the internal substantive laws (and not the laws of conflict) of the State of Colorado, which laws shall prevail in the event of any conflict of law. Notwithstanding the foregoing, the parties agree that the Colorado Consumer Protection Act (COLO. REV. STAT. ANN. Sections 6-1-101, et seq.) shall not apply to this Agreement or any disputes between the parties. If a claim is asserted in any legal proceeding not subject to mandatory arbitration, as specified in Section 23.1 above, involving Franchisee and/or the Franchisee Affiliates, on the one side, and Kings Road and/or the Kings Road Affiliates, on the other side, both parties consent to jurisdiction and venue for disputes between them in the state and federal courts of Colorado, and each waive any objection either may have to the personal jurisdiction of or venue in the state and federal courts of Colorado. Notwithstanding the foregoing, any legal proceeding by Kings Road or any Kings Road Affiliate not subject to mandatory arbitration may be brought in any court of competent jurisdiction in the country, state, or other geographic area in which the KINGS ROAD Espresso Bar is located or in which Franchisee or any Franchisee Affiliate resides or owns assets. **IF A CLAIM MAY BE BROUGHT IN COURT, THEN KINGS ROAD, THE KINGS ROAD AFFILIATES, FRANCHISEE, AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

| KINGS ROAD FRANCHISING LLC | ______________________ **FRANCHISEE (Print Name)** |
|---|---|
| By: ______________________ | By: ______________________ |
| Title: ______________________ | Title: ______________________ |
| Date: ______________________ | Date: ______________________ |

**EXHIBIT B**
**(TO DISCLOSURE DOCUMENT)**

**MULTI-UNIT DEVELOPMENT AGREEMENT**

**THIS MULTI-UNIT DEVELOPMENT AGREEMENT** ("**Development Agreement**") is made effective as of the date set forth on the signature page hereof, by and between Kings Road Franchising LLC, a Colorado limited liability company, located 4014 S. Lemay, #26, Fort Collins, Colorado 80525 ("**Kings Road**") and the undersigned franchisee ("**Franchisee**"), who, on the basis of the following understanding, and in consideration of the following promises, agree as follows:

**RECITALS**

A. Kings Road has developed methods for establishing, operating and promoting neighborhood style coffee shops ("**KINGS ROAD Espresso Bars**" or "**Espresso Bars**") featuring Kings Road's special blends of coffees, espresso drinks, teas and related drinks, and a limited menu of easy-to-prepare breakfast and lunch items, using the mark "**KINGS ROAD COFFEE**$^{SM}$" and related trade names and trademarks ("**Marks**") and Kings Road's proprietary recipes and distinctive ingredients, business format, systems, methods, procedures, designs, layouts, advertising and operational standards and specifications, and various other proprietary methods of doing business ("**Licensed Methods**").

B. Franchisee would like to use Kings Road's Marks and Licensed Methods in connection with the development of a certain number of Espresso Bars in a specific geographical area as set forth in the addendum attached hereto as Attachment I ("**Addendum**"). Kings Road desires to grant Franchisee, or an entity owned by Franchisee or Franchisee's owners ("**Approved Affiliate**"), the right to establish and operate such Espresso Bars under the terms and conditions contained in this Development Agreement.

The parties therefore agree as follows:

**1. GRANT OF DEVELOPMENT RIGHTS**

1.1. Development Area. Kings Road grants to Franchisee the right to develop and establish the number of Espresso Bars described in the Addendum using Kings Road's Marks and Licensed Methods in the geographic area described in the Addendum attached hereto (the "**Development Area**"). Except pursuant to Section 4.1 below, Kings Road shall not establish, nor shall it license any other party to establish, Espresso Bars using the Marks and Licensed Methods anywhere within the Development Area for so long as this Development Agreement is in effect. Notwithstanding the foregoing, there may be existing Franchise Agreements in effect as of the date of this Development Agreement under which Kings Road has granted rights to third parties to operate KINGS ROAD Espresso Bars in the Development Area (the "**Existing Espresso Bars**"). Franchisee agrees and acknowledges that the Franchise Agreements for such Existing Espresso Bars may remain in effect, and nothing in this Development Agreement shall prevent, prohibit, or restrict the operations of such Existing Espresso Bars. Kings Road may renew the Franchise Agreements or enter into successor Franchise Agreements for such Existing Espresso Bars.

1.2. Franchisor's Reservation of Rights. Franchisee acknowledges that the rights granted in this Development Agreement are non-exclusive and that Kings Road, for itself and its affiliates, successors and assigns, reserves the rights, among others:

(a) to use the Marks to identify any type of products and services, promotional and marketing efforts or related items, and to identify products and services distributed or otherwise made available through alternative channels of distribution (other than KINGS ROAD Espresso

Bars), at any location, and on any terms and conditions as Kings Road determines including, but not limited to, sales through channels such as wholesale or retail distribution, Internet marketing and distribution, social media marketing, mail order, catalog, retail store display or made-to-order or pre-packaged product sales in grocery stores, at any location;

(b) to use and license the use of different proprietary marks or methods (for example, if Kings Road acquires or is acquired by another business that provides products and services similar to or the same as a KINGS ROAD Espresso Bar) in connection with the sale of products and services similar to or the same as those which Franchisee sells, whether in alternative channels of distribution or through owning, developing, operating or franchising stores which are the same as, or similar to, or different from KINGS ROAD Espresso Bars, at any location, and on any terms and conditions as determined by Kings Road;

(c) to use and license others to use the Marks and Licensed Methods to establish Espresso Bars at Institutional Facilities at any location. "**Institutional Facilities**" means outlets that serve primarily customers located within a captive facility, such as parks charging admission, stadiums, amusement parks, theaters, art centers, airports, transportation facilities, department stores, business and industrial complexes, museums, educational facilities, hospitals, military complexes, buyer club facilities, casinos, resorts, hotels, and convention centers. Kings Road, on behalf of itself, its affiliates and designees, reserves the right to contract with Institutional Facilities to develop and operate Espresso Bars within these facilities; and

(d) to engage in any other activities not expressly prohibited by this Development Agreement.

1.3. Franchise Agreement – First Espresso Bar Developed. The parties acknowledge that the KINGS ROAD Franchise Agreement governing the operation of Franchisee's first KINGS ROAD Espresso Bar to be opened hereunder is being executed concurrently with this Development Agreement. Franchisee agrees to comply with the terms and conditions of the Franchise Agreement as a part of its obligations hereunder and acknowledges that failure to execute and comply with such Franchise Agreement is a breach of this Development Agreement.

1.4. No Grant of Franchise. This Development Agreement is not a franchise agreement and Kings Road does not grant Franchisee any franchise rights or other similar rights to use the Marks or Licensed Methods under this Development Agreement. Franchisee has no right to license or subfranchise others to use the Marks or Licensed Methods. Other than the right to enter into subsequent Franchise Agreements, as referenced in Section 3.2 below, nothing in this Development Agreement grants to Franchisee the right to enter into any agreement with respect to the Marks or Licensed Methods.

## 2. INITIAL FRANCHISE AND DEVELOPMENT FEES

2.1. Fees.

(a) In consideration of the development rights granted herein, concurrently with the execution of this Development Agreement Franchisee will pay to Kings Road a development fee equal to $15,000 multiplied by the number of additional KINGS ROAD Espresso Bars, beyond the first Espresso Bar, to be developed hereunder ("**Development Fee**"). This Development Fee is in addition to the initial franchise fee applicable for the first Espresso Bar to be developed hereunder, which must be paid in accordance with the terms of the Franchise Agreement for that Espresso Bar. The total Development Fee is set forth in the Addendum. Franchisee acknowledges that the Development Fee represents payment for the grant of the development rights and for a reserved Development Area and Kings Road has fully earned the Development Fee upon receipt.

(b) Kings Road will credit $15,000 of the Development Fee to the initial franchise fee due under the Franchise Agreement for each of the second and subsequent Espresso Bar to be developed under this Development Agreement. The initial franchise fee that shall apply for each such additional Espresso Bar shall be $40,000. The balance of the initial franchise fee of $25,000 shall be due thereafter upon execution of the Franchise Agreement for that Espresso Bar or no later than the deadline set forth in the Development Schedule (defined in Section 3.1) for signing that Franchise Agreement,

(c) Other than to have applied the portions of the Development Fee to a portion of the initial franchise fee for subsequent Franchise Agreements as described in Section 2.1(b), all fees hereunder are nonrefundable once paid to Kings Road and under no circumstances will Franchisee be entitled to a refund, return or rebate of any portion of initial franchise fees paid hereunder.

## 3. DEVELOPMENT OBLIGATIONS

3.1. Development Schedule. Franchisee agrees to develop the following number of KINGS ROAD Espresso Bars in the Development Area, including the Espresso Bar to be developed under the Franchise Agreement executed concurrently with this Development Agreement, in accordance with development schedule set forth in the Addendum (the "**Development Schedule**"). Franchisee agrees that time is of the essence with respect to compliance with the Development Schedule, payment of the balance of the initial franchise fees under Section 2.1(b) above and any and all other obligations to be performed by Franchisee hereunder. Further, Franchisee shall continuously maintain in operation at least the number of Espresso Bars set forth on the Development Schedule.

3.2. Subsequent Franchise Agreements. The parties agree that a separate Franchise Agreement shall be executed by the parties to this Development Agreement for each Espresso Bar to be developed under this Development Agreement. Franchisee will exercise its right for development of each Espresso Bar by giving Kings Road written notice of its intention to develop such Espresso Bar at least 90 days in advance of the deadline set forth in the Development Schedule for executing each applicable Franchise Agreement. Franchisee's notice shall indicate the type of franchise that Franchisee desires to acquire for the particular Espresso Bar, which shall be then designated in the Franchise Agreement. The Franchise Agreement for the second and subsequent Espresso Bars will be executed by the deadline set forth in the Development Schedule. Franchisee's failure to execute any additional Franchise Agreements or its default in any term of such Franchise Agreements may, at the option of Kings Road, be deemed a default under this Development Agreement and shall entitle Kings Road to terminate this Development Agreement as further provided in Article 4 below. Each Franchise Agreement to be executed by Franchisee for each Espresso Bar to be developed hereunder shall be in the form of Franchise Agreement then generally being offered to franchisees by Kings Road, which may contain terms substantially different from the terms of the initial Franchise Agreement executed hereunder. Notwithstanding the foregoing, Kings Road agrees that it will not charge an initial franchise fee to Franchisee which is greater than the amounts set forth in Section 2.1(b) above. Franchisee acknowledges that Kings Road has the right, however, to charge then current rates for installment fees and all other fees, and for purchases of products and services offered to Franchisee, in accordance with Kings Road's then-current franchise agreement. Notwithstanding the foregoing, Franchisee may also execute the separate Franchise Agreements through an Approved Affiliate. If a Franchise Agreement is executed hereunder by an Approved Affiliate, then that Approved Affiliate must designate one of its principals who has a minimum of 15 percent ownership in the Approved Affiliate and who is reasonably acceptable to Kings Road, to serve as the "**Managing Owner**," who must supervise and direct the operations of each applicable Espresso Bar but is not required to be engaged in the day-to-day operations of the Espresso Bar. The Managing Owner must complete the initial training program offered by Kings Road under the Franchise Agreement.

3.3. Site Selection. Franchisee shall not, without the prior written approval of Kings Road, enter into any contract for the purchase or lease of any premises for use as a KINGS ROAD Espresso Bar. Kings Road will assist Franchisee in the selection and approval of locations for its Espresso Bars in accordance with the terms and conditions of the Franchise Agreements. Franchisee acknowledges that Kings Road has no obligation to select or acquire a location on behalf of Franchisee.

3.4. Training Program. Franchisee acknowledges that Kings Road shall have the right, at Kings Road's sole discretion, to waive the initial training program, which is the same as or similar to the training provided under Section 6.1 of the Franchise Agreement executed concurrently herewith, for the second and each subsequent Espresso Bars developed under the terms of this Development Agreement. Franchisee may also request additional assistance from Kings Road in connection with site selection, site feasibility studies, lease negotiations and other issues related to development of its Development Area. In the event that Kings Road agrees to provide such assistance, in Kings Road's sole discretion, Franchisee agrees to pay all travel, lodging, living expenses, telephone charges and other identifiable expenses incurred in connection with such assistance, plus a fee based on daily or hourly time spent by any of Kings Road's employees in connection with such assistance.

## 4. TERM AND TERMINATION

4.1. The term of this Development Agreement shall commence as of the date of execution hereof and shall end on the earlier of (1) the date the last Franchise Agreement is executed to open the maximum number of Espresso Bars set forth in the Addendum, or (2) the date of the deadline set forth in the Development Schedule for Franchisee to execute the Franchise Agreement for the last of its Espresso Bars to be developed under this Development Agreement. After expiration of the term, or earlier termination of this Development Agreement as provided below, Kings Road shall have the right to establish, or license any other party to establish anywhere within the Development Area; provided, however, that Franchisee's Protected Area as defined in the Franchise Agreements executed hereunder will remain in effect for the term of the Franchise Agreements, unless sooner terminated.

4.2. Termination by Franchisee. This Development Agreement may be terminated by Franchisee for any reason upon 60 days prior written notice to all parties, provided that Franchisee will not be entitled to a refund of any fees paid hereunder under any circumstances.

4.3. Termination by Kings Road. Franchisee shall be deemed in default and this Development Agreement may be terminated by Kings Road, at its option, in the following circumstances:

(i) Franchisee defaults on any term or condition of this Development Agreement, including without limitation, the failure to open and maintain the number of Espresso Bars required by the Development Schedule, and fails to cure such default after 30 days written notice to Franchisee; or

(ii) Franchisee is in default under any of the Franchise Agreements executed in furtherance of this Development Agreement or any other agreement between Kings Road or any of Kings Road's affiliates and Franchisee or any of Franchisee's affiliates and fails to cure such default within the time periods specified in such other agreements.

4.4. Continued Effectiveness of Franchise Agreements. If this Development Agreement is terminated due solely to a failure by Franchisee to meet the Development Schedule, Kings Road and Franchisee agree that such termination shall not constitute a default or result in a termination of any Franchise Agreements executed between Franchisee and Kings Road in effect as of the date of termination of this Development Agreement. In that case, those Franchise Agreements shall continue in full force and effect notwithstanding the termination of this Development Agreement. Kings Road and Franchisee agree that any statements to the contrary in the Franchise Agreements executed by them, including any cross-default and cross-termination provisions, will be inapplicable in the situation of a termination of this Development Agreement based solely on Franchisee's failure to meet the Development Schedule. If this Development Agreement is terminated due to any other default under Section 4.3 above, all Franchise Agreements executed in furtherance of this Development Agreement and all other agreements between Kings Road and Franchisee or any of Franchisee's affiliates may, at Kings Road's sole option, be terminated.

4.5. Post-Termination Obligations. In the event of termination or expiration of this Development Agreement for any reason, Franchisee shall not be entitled to any refund of any portion of the fees paid hereunder. Franchisee shall remain subject to the provisions of Article 6 of this Development Agreement regarding nondisclosure and covenants not to compete, in addition to the terms and conditions of any and all Franchise Agreements executed in furtherance of this Development Agreement which have not also been terminated or expired. No right or remedy herein conferred upon or reserved by Kings Road is exclusive of any other right or remedy provided or permitted by law or equity.

## 5. ASSIGNMENT

5.1. Assignment by Kings Road. Kings Road may transfer or assign its rights under this Development Agreement at any time upon notice to Franchisee, provided that Kings Road has fulfilled its obligations hereunder or has made adequate provisions therefor.

5.2. Assignment by Franchisee. Because the rights granted herein are personal to Franchisee, Franchisee shall not transfer, assign or convey this Development Agreement or any interest hereunder without Kings Road's prior written consent which consent shall not be unreasonably withheld if Franchisee complies with the transfer provisions of the Franchise Agreement most recently executed by Kings Road and Franchisee, which provisions shall be deemed to be incorporated herein by reference. Kings Road reserves the right to require the transferee to sign the then-current form of Development Agreement with materially different terms and conditions that may be negotiated between the parties depending on the circumstances of the transfer. Franchisee is prohibited from granting a subfranchise hereunder. As used in this Development Agreement, the term "transfer" shall have the meaning set forth in the Franchise Agreement most recently signed by Kings Road and Franchisee. In addition to any conditions contained in this Development Agreement, the conditions for Kings Road's approval of any transfer shall be the same as the conditions contained in the Franchise Agreement most recently executed by Kings Road and Franchisee, which provisions shall be deemed to be incorporated herein by reference.

5.3. Transfer Fee. In the event of any proposed sale, transfer or assignment by Franchisee as described herein, Franchisee or the proposed transferee shall pay to Kings Road the standard transfer fee for each franchise to be transferred, as governed by the applicable Franchise Agreement executed pursuant to this Development Agreement, plus $5,000 for every undeveloped franchise right for which no Franchise Agreement has been executed.

## 6. RESTRICTIVE COVENANTS

6.1. Restrictive Covenants. During the term and after the termination of this Development Agreement or any Franchise Agreement signed in furtherance of this Development Agreement, Franchisee and its Approved Affiliates and their officers, partners, directors, managers, agents or employees who have completed Kings Road's training programs or had access to the Resource Center Materials, as described in the Franchise Agreement, or the beneficial owners of a five percent or greater interest in Franchisee or an Approved Affiliate and their respective immediate families, shall be subject to all restrictive covenants as set forth in the Franchise Agreement executed concurrently herewith, and in any nondisclosure and noncompetition agreements executed by Franchisee, its Approved Affiliates, or their employees, owners, managers, members, partners, officers, directors, agents or representatives, which covenants by this reference are incorporated herein.

## 7. BUSINESS RELATIONSHIPS

7.1. Independent Contractor. During the term of this Development Agreement, Franchisee shall be an independent contractor and shall in no way be considered as an agent, partner or employee of Kings Road. It is understood and agreed that no agency or partnership is created by this Development Agreement. As such, Franchisee has no authority of any nature whatsoever to bind Kings Road or incur any liability for or on behalf of Kings Road or to represent itself as anything other than an independent contractor.

7.2. Indemnification. Franchisee shall indemnify and hold harmless Kings Road and its officers, directors, members, managers, agents and representatives ("**Indemnified Parties**") from all fines, suits, proceedings, claims, demands or actions of any kind or nature, including reasonable attorneys' fees, from anyone whomsoever, directly or indirectly, arising or growing out of, or otherwise connected with Franchisee's activities, actions or failure to act, under this Development Agreement or Franchisee's operation of its Espresso Bars developed under this Development Agreement. For purposes of this indemnification, claims shall mean and include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other arbitration or litigation expenses and travel and living expenses. Kings Road shall have the right to defend any such claim against it. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Development Agreement.

## 8. MISCELLANEOUS

8.1. Disputes/Governing Law. The parties agree that any dispute between the parties arising out of the terms of this Development Agreement shall be governed by the applicable provisions of the Franchise Agreement executed concurrently herewith including the arbitration, choice of law, and venue provisions, which terms and conditions are by this reference incorporated herein. This Development Agreement shall be governed by and construed in accordance with the laws of the State of Colorado.

8.2. Binding Effect. This Development Agreement shall be binding upon and inure to the benefit of each of the parties' respective heirs, successors, assigns and personal representatives.

8.3. Review. Franchisee acknowledges that it had a copy of this Development Agreement in its possession for a period of time not fewer than 14 days or 10 business days, whichever is required under applicable law, during which time Franchisee has had the opportunity to submit the same for professional review and advice of Franchisee's choosing prior to freely executing this Development Agreement.

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

8.5. Modification. This Development Agreement may be modified only upon execution of a written agreement between the parties.

8.6. Entire Agreement. This Development Agreement, together with the attachments and the Franchise Agreements signed in conjunction with this Development Agreement, contains the entire agreement between the parties and supersedes any and all prior agreements, both oral and written, concerning the subject matter hereof, provided that any Franchise Agreement executed by the parties hereto shall remain binding, except to the extent that this Development Agreement specifically supersedes any term thereof. Nothing in this Development Agreement or in any related agreement is intended to disclaim the representations made in the Disclosure Document.

8.7. Invalidity. If any provision of this Development Agreement is held invalid by any court of competent jurisdiction in a final decision from which no appeal is or can be taken, such provision shall be deemed modified to eliminate the invalid element and, as so modified, such provision shall be deemed a part of this Development Agreement as though originally included. The remaining provisions of this Development Agreement shall not be affected by such modification.

8.8. Notices. All notices required to be given under this Development Agreement shall be given in writing, by certified mail, return receipt requested, or by an overnight delivery service providing documentation of receipt, and as to Kings Road, at the address first set forth above, or as to Franchisee, at the address set forth below its signature on the signature page hereto, or at such other address as either party may designate from time to time by written notice as set forth herein. Notice shall be deemed effective when deposited in the United States mail postage prepaid or when received by overnight delivery, as may be applicable.

8.9. Controlling Terms. In the event of any conflict between the terms of this Development Agreement and the terms of the Franchise Agreement, the terms of this Development Agreement shall control.

8.10. Attorneys' Fees and Costs. In the event of any dispute between the parties to this Development Agreement, in addition to all other remedies, the non-prevailing party will pay the prevailing party all amounts due and all damages, costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in any legal action, arbitration, mediation, or other proceeding as a result of such dispute, plus interest at the highest rate allowable by law, accruing from the date of such default.

8.11. Injunctive Relief. Nothing herein shall prevent Kings Road or Franchisee from seeking injunctive relief to prevent irreparable harm, in addition to all other remedies.

8.12. Counterparts; Electronic Signatures. This Development Agreement and any addenda hereto may be executed in any number of identical counterparts and via electronic signatures, and each such counterpart shall be deemed a duplicate original hereof.

*[SIGNATURES APPEAR ON FOLLOWING PAGE]*

**IN WITNESS WHEREOF**, the parties hereto have caused this Development Agreement to be executed effective as of ______________________________.

**KINGS ROAD FRANCHISING LLC**

By:_________________________________
Title:_______________________________

**FRANCHISEE:**

_____________________________________
Individually

_____________________________________
Print Name

_____________________________________
Individually

_____________________________________
Print Name

**OR** (if a corporation or partnership)

_____________________________________
(Print Name)

By:_________________________________
Its:_________________________________

Franchisee's Address:

_____________________________________
_____________________________________
_____________________________________
E-mail Address:_______________________

# ATTACHMENT I
# TO KINGS ROAD FRANCHISING LLC
# DEVELOPMENT AGREEMENT

## ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT

This is an Addendum ("**Addendum**") to the Multi-Unit Development Agreement (the "**Development Agreement**") by and between Kings Road Franchising LLC, hereinafter "**Kings Road**" and the undersigned franchisee, hereinafter "**Franchisee**." This Addendum modifies the terms of the Development Agreement and in the event of a conflict in terms between the Development Agreement and this Addendum, the terms of this Addendum shall be controlling.

The parties agree as follows:

1. The number of KINGS ROAD Espresso Bars to be developed in the Development Area referenced in Section 1.1 of the Development Agreement (including the first KINGS ROAD Espresso Bar to be opened pursuant to the Development Agreement) shall be: ________.

2. The Development Area, as referred to in Section 1.1 of the Development Agreement, is described below by geographic boundaries and on the attached map and shall consist of the following zip codes or areas:

______________________________________________________________________
______________________________________________________________________
______________________________________________________________________
______________________________________________________________________
______________________________________________________________________

3. The Development Fee to be paid by Franchisee to Kings Road pursuant to Section 2.1(a) of the Development Agreement shall be $______________________ (which does not include any portion of the initial franchise fee for the first Espresso Bar to be developed hereunder).

4. The Development Schedule, as referred to in Section 3.1 of the Development Agreement is:

| KINGS ROAD Espresso Bar Number | Date by Which Franchise Agreement Must be Signed and Submitted to Kings Road | Cumulative Number of KINGS ROAD Espresso Bars Required to be Opened and Continuously Operated by Franchisee as of One Year* Following the Date in Preceding Column |
|---|---|---|
| 1 | Date of this Development Agreement . | 1 |
| 2 | | 2 |
| 3 | | 3 |
| 4 | | 4 |
| 5 | | 5 |

5. Other terms:

In witness whereof, the parties have executed this Addendum on ________________________.

| KINGS ROAD: | FRANCHISEE: |
|---|---|
| KINGS ROAD FRANCHISING LLC | ______________________________ |
| By: __________________________ | By: __________________________ |
| Title: __________________________ | Title: __________________________ |

**EXHIBIT C**
**(TO DISCLOSURE DOCUMENT)**

**NONDISCLOSURE AND NONCOMPETITION AGREEMENT**

This Nondisclosure and Noncompetition Agreement (this "**Agreement**") is made and entered into effective on the day and date set forth below, by and among KINGS ROAD FRANCHISING LLC, a Colorado limited liability company ("**Kings Road**"), having an address of 4014 S. Lemay, #26, Fort Collins, CO 80525, the franchisee named on the signature page of this Agreement (the "**Franchisee**"), and the associate of Franchisee named on the signature page of this Agreement (the "**Associate**").

**RECITALS**

A. Kings Road has developed methods for establishing, operating and promoting neighborhood style coffee shops ("**KINGS ROAD Espresso Bars**" or "**Espresso Bars**") featuring Kings Road's special blends of coffees, espresso drinks, teas and related drinks, and a limited menu of easy-to-prepare breakfast and lunch items, using the mark "KINGS ROAD COFFEE$^{SM}$" and related trade names and trademarks ("**Marks**").

B. Kings Road and its affiliates have developed proprietary methods for establishing, operating and promoting KINGS ROAD Espresso Bars utilizing certain confidential information as more fully described herein ("**Licensed Methods**"), and have established substantial goodwill and an excellent reputation with respect to the quality of the services available in a KINGS ROAD Espresso Bar, which goodwill and reputation have been and will continue to be of major benefit to Kings Road.

C. Franchisee is a franchisee under an effective franchise agreement ("**Franchise Agreement**") with Kings Road.

D. Associate is or will become involved with Franchisee in the capacity of an officer, partner, director, manager, agent, employee, independent contractor (such capacities collectively referred to as "**Affiliation**") or is related to a person who has an Affiliation with Franchisee, and will become privileged as to certain confidential information related to Kings Road, its operations and a KINGS ROAD Espresso Bar.

E. Associate, Franchisee and Kings Road have reached an understanding and agreement with regard to nondisclosure by Associate of confidential information and with respect to noncompetition by Associate with Kings Road and Franchisee.

**NOW THEREFORE,** in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate, Franchisee and Kings Road, intending legally to be bound, agree as follows:

**1. <u>Confidential Information</u>.** Associate recognizes and agrees that certain proprietary information relating to Kings Road and its operations and the operations of KINGS ROAD Espresso Bars ("**Confidential Information**") is owned by Kings Road and is treated as confidential by Kings Road and Franchisee, including without limitation, all proprietary information concerning KINGS ROAD Espresso Bars; the Licensed Methods; the distinctive business format, plans, methods, recipes, menu, food preparation techniques, processes, and product formulas of a KINGS ROAD Espresso Bar; designs; layouts; operating procedures; all financial information of Kings Road or Franchisee other than financial information filed with any government regulatory agency; marketing methods; sales and promotional methods; all nonpublic statistical information; the strategic plan, budgets and projections for Kings Road; all information concerning negotiations of any kind conducted by Kings Road whether pending or completed; all marketing research data and marketing plans; all information contained in the Kings Road resource center materials, and any other manual or other nonpublic written information; internal lists of franchisees and customers of Franchisee's KINGS ROAD Espresso Bar; and all other information which may be considered a trade secret or proprietary and such Confidential Information as may be further developed from time to time by Kings Road.

**2.** **Use and Disclosure of Confidential Information.** Associate acknowledges that, in connection with Associate's Affiliation with Kings Road or Franchisee, Kings Road or Franchisee will disclose in strict confidence certain Confidential Information necessary for the operation of a KINGS ROAD Espresso Bar. Associate specifically acknowledges that the Confidential Information is valuable, unique and comprises a substantial portion of the assets of Kings Road; and Associate agrees that he or she will not utilize all or any portion of the same for Associate's personal benefit during the term of Associate's Affiliation with Franchisee, nor in any manner use the same subsequent to the termination of Associate's Affiliation with Kings Road or Franchisee or the termination or expiration of the Franchise Agreement, nor disclose any of the same to any person, firm, corporation or other entity whatsoever at any time for any reason or purpose, without the prior written consent of Kings Road. Associate shall not copy, publish or otherwise duplicate the Confidential Information or permit others to do so and shall return all Confidential Information to Franchisee upon termination of Associate's Affiliation with Franchisee. Associate may disclose to other employees, agents, or representatives of Kings Road or Franchisee the Confidential Information only to the extent necessary for such employees, agents or representatives to carry out their intended function.

**3.** **Noncompetition Covenant.** Associate covenants and agrees that, during the term of his or her Affiliation, except in conjunction with Franchisee's KINGS ROAD Espresso Bar in a manner authorized by Kings Road and Franchisee, Associate shall not, either directly or indirectly through any member of Associate's immediate family, separate business entity, or otherwise:

(a) have any direct or indirect controlling interest as a disclosed or beneficial owner in a Competitive Business, defined below;

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

(c) divert or attempt to divert any business related to Kings Road, Franchisee or any other franchisee of Kings Road to any Competitive Business by direct inducement or otherwise; or

(d) divert or attempt to divert the employment of any employee or representative of Kings Road, Franchisee or any other franchisee of Kings Road to any employment, consultation or other position outside of Kings Road or Franchisee by any direct inducement or otherwise.

The term "**Competitive Business**" as used in this Agreement means any business operating, or any business granting franchises or licenses to others to operate a retail or wholesale business deriving more than 10 percent of its gross receipts from preparation of or sale of coffee or other products now or in the future offered or sold by KINGS ROAD Espresso Bars. Notwithstanding the foregoing, Associate will not be prohibited by this Agreement from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 5 percent or less of that class of securities issued and outstanding.

**4.** **Post-Termination Covenant Not to Compete.** Associate covenants and agrees that, for a period of two years after the earlier of (i) the effective date of termination or expiration of Associate's

Affiliation with Franchisee or Kings Road, or (ii) the effective date of termination or expiration of the Franchisee's Franchise Agreement, neither Associate, nor any member of Associate's immediate family, shall have any direct or indirect interest as a disclosed or a beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent or in any other capacity in any Competitive Business located or operating within a 10 mile radius of the Franchised Location, as defined in the Franchise Agreement governing the Franchised Business, or within 10 miles of any KINGS ROAD Espresso Bar owned by Franchisee or an affiliate of Franchisee, or within 10 miles of any other franchised or licensed KINGS ROAD Espresso Bar. If Associate or any member of Associate's immediate family breaches this Section, the two year period under this Section shall start on the date that Associate or its family member, as applicable, is enjoined from such activity or ceases such activity, whichever is later. Associate expressly acknowledges that he or she possesses business and career skills and abilities of a general nature and has other opportunities for exploiting such skills and abilities. Consequently, enforcement of this covenant will not deprive Associate of his or her personal goodwill or ability to earn a living.

**5.** **Injunction.** Associate acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, Kings Road and Franchisee, or either one separately, shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which Kings Road and/or Franchisee may be entitled. Associate agrees that Kings Road may obtain such injunctive relief, without posting a bond or bonds totaling more than $500, but upon due notice, and Associate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate.

**6.** **Assignment.** Both Franchisee and Kings Road may assign all or part of this Agreement and the rights which inure to either of them hereunder without the consent of Associate, provided that any assignment by Franchisee shall require the written consent of Kings Road. This Agreement shall not be assignable by Associate.

**7.** **Effect of Waiver.** The waiver by Associate, Franchisee or Kings Road of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof, and in no event shall such a waiver be binding upon Kings Road unless it is in writing and signed by an authorized representative of Kings Road.

**8.** **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of Associate, Franchisee and Kings Road and their respective heirs, executors, representatives, successors and assigns.

**9.** **Entire Agreement.** This instrument contains the entire agreement of Associate, Franchisee and Kings Road relating to the matters set forth herein. It may not be changed orally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought. Further, both Associate and Franchisee agree that no change to this Agreement shall be made without the written consent of Kings Road having first been obtained.

**10.** **Governing Law.** This instrument shall be governed by and construed under the laws of the State of Colorado, U.S.A.

**11. Arbitration.** Any and all controversies, disputes or claims between Kings Road, its subsidiaries and affiliated companies or their shareholders, members, managers, officers, directors, agents, employees and attorneys (in their representative capacity); Franchisee, its shareholders, members, managers, officers, directors, agents and employees; and/or Associate arising out of or related to: (1) this Agreement; (2) the relationship of the parties; or (3) the validity of this Agreement shall be submitted for arbitration on the demand of any involved party; except for actions for injunctive relief pursuant to Section 5 above, which actions Kings Road and/or Franchisee at their option may bring either in a court of competent jurisdiction or in arbitration. If Kings Road is a party to any controversy, dispute or claim, such arbitration proceedings shall be conducted in Denver, Colorado, U.S.A., will be submitted to the Denver, Colorado, U.S.A. office of either the Judicial Arbiter Group or the American Arbitration Association ("**AAA**"), as selected by the party submitting the arbitration demand, and will be heard by one arbitrator in accordance with the then current rules of AAA applicable to commercial arbitration. The arbitrator shall be a resident of the State of Colorado, U.S.A. knowledgeable of Colorado law and fluent in English. The arbitration proceeding and all other hearings shall be conducted in English only, although Associate shall have the right, at Associate's option and sole expense, to have a translator present at the proceeding or other hearings. If Kings Road is not a party to such controversy, dispute or claim, such arbitration proceedings shall be conducted within the area in which Franchisee's Espresso Bar is based and will be heard by one arbitrator in accordance with the then current commercial arbitration rules of any arbitration group mutually acceptable to Franchisee and Associate, and if Franchisee and Associate cannot agree on an arbitration group within 30 days after demand for arbitration, then the AAA shall conduct such arbitration in accordance with its then current commercial arbitration rules. The decision as to whether a claim is subject to mandatory arbitration shall be made by an arbitrator, not a court.

**12. Severability.** If any provision of this Agreement is held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority, arbitrator or otherwise, the parties authorize and request such court, governmental authority, or arbitrator to modify the provision held to be void, voidable, invalid, unenforceable or inoperative to contain such lesser covenants that impose the maximum duty permitted by law so that the provision is upheld as valid, and the parties agree to be bound by the modified provision. The holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement, which shall otherwise remain in full force and effect.

**13. Attorneys' Fees.** If Kings Road or Franchisee must enforce any of the provisions or rights under this Agreement in any action at law or in equity and if the Kings Road and/or Franchisee is successful in such litigation or arbitration as determined by the court or arbitrator in a final judgment or decree, then the Associate shall pay Kings Road or Franchisee, as applicable, all costs, expenses and reasonable attorneys' fees incurred by Kings Road and/or Franchisee (including without limitation such costs, expenses and fees on any appeals), and if Kings Road and/or Franchisee receives a judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

**14. Definitions.** All capitalized terms not defined in this Agreement have the respective meanings set forth in the effective Franchise Agreement between Franchisee and Kings Road.

**15. Cross Default.** A default by Associate under this Agreement will be deemed a default of all agreements between Franchisee and Kings Road, unless waived by Kings Road in writing.

**16. Counterparts; Electronic Signatures.** This Agreement may be executed in counterparts and via electronic signatures.

The parties have signed this Agreement on __________.

**KINGS ROAD:**

KINGS ROAD FRANCHISING LLC,
a Colorado limited liability company

By: ______________________________
Its: ______________________________

**FRANCHISEE:**

______________________________
a ______________________________

By: ______________________________
Its: ______________________________

**ASSOCIATE:**

______________________________
Print Name: ______________________________

# EXHIBIT D
# (TO DISCLOSURE DOCUMENT)

## KINGS ROAD FRANCHISING LLC

## CLOSING ACKNOWLEDGEMENT

A. The following are true and correct:

1. Yes ____ No ____ I had a face-to-face meeting with a franchise marketing representative.

If yes, the date of said meeting was:______________________________

2. ______________________. The date which I received the Franchise Disclosure Document about the Franchise.

3. ______________________. The date I received a fully completed copy (other than signatures) of the Franchise Agreement I later signed.

4. ______________________. The earliest date on which I signed the Franchise Agreement or any other binding document (not including the Receipt of Disclosure Document).

5. ______________________. The earliest date on which I delivered cash, check or consideration to the franchise marketing representative or any other person.

B. In order to ensure that your decision to purchase a KINGS ROAD Coffee franchise from Kings Road Franchising, LLC ("**KRF**") is based upon your own independent investigation and judgment, please complete and sign this Closing Acknowledgement. I confirm the following [please change, in handwriting, and initial any change necessary]:

1. I have not received any information, either verbal or written, regarding the sales, revenues, earnings, income or profits of KINGS ROAD Coffee ("**KRC**") from any officer, employee, agent or area sales representative of KRF, except as may be set forth in Item 19 of KRF's Disclosure Document.

2. I have not received any assurances, promises or predictions of how well my KRC will perform financially from any officer, employee, agent or area sales representative of KRF, except as may be set forth in Item 19 of KRF's Disclosure Document.

3. I have made my own independent determination that I have adequate working capital to develop, open and operate my KRC.

4. I acknowledge that KRF will give me written guidelines to assist me in locating a site for my KRC, but I also understand that I am responsible for the final decision regarding the selection of a suitable site.

5. I am not relying on any promises of KRF which are not contained in the Kings Road Franchising franchise agreement.

6. I understand that my investment in a KRC contains substantial business risks and that there is no guarantee that it will be profitable.

7. I have been advised by KRF and its representatives to seek professional legal and financial advice in all matters concerning the purchase of my KRC.

8. I acknowledge that the success of my KRC depends in large part upon my ability as an independent business person and my active participation in the day-to-day operation of the KRC.

9. The name(s) of the person(s) with whom I dealt in the purchase of my KRC is/are ______________________________. I acknowledge that I have listed this/these person(s) on the receipt page of the Franchise Disclosure Document and delivered the executed receipt page to KRF.

Dated: ____________________.

**PROSPECTIVE FRANCHISEE**

______________________________
Print Name

By:______________________________
Title:_____________________________

**EXHIBIT E**
**(TO DISCLOSURE DOCUMENT)**

**SUCCESSOR FRANCHISE RIDER TO**
**KINGS ROAD FRANCHISING LLC FRANCHISE AGREEMENT**

**KINGS ROAD FRANCHISING LLC** ("**Kings Road**") and ____________________________ ____________________________ ("**Franchisee**") are signing a KINGS ROAD FRANCHISING LLC Franchise Agreement ("**Agreement**") contemporaneously herewith and desire to supplement and amend certain terms and conditions of such Agreement by this Successor Franchise Rider to KINGS ROAD FRANCHISING LLC Franchise Agreement ("**Rider**"). Initial capitalized terms not otherwise defined herein shall have the same meanings as set forth in the Agreement. The parties therefore agree as follows:

**1.** **Initial Franchise Fee/Successor Franchise Fee**. Section 4.1 is deleted in its entirety. Franchisee will pay to Kings Road a successor franchise fee upon or prior to execution of this rider in the amount of $_______________.

**2.** **Initial Training Program**. Section 6.1 is deleted in its entirety.

**3.** **Length of Training**. Section 6.2 is deleted in its entirety.

**4.** **Kings Road's Development Assistance**. Section 7.1 is deleted in its entirety.

**5.** **Successor Franchise Terms.** In accordance with Section 17.3.c, Franchisee is required to upgrade its KINGS ROAD Espresso Bar and operations to conform with Kings Road's current standards and specifications as follows: ________________________________________________
______________________________________________________________________________
______________________________________________________________________________
________________________________________________________________________
_____________.

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

> **[APPLIES ONLY IN CALIFORNIA]** 6(a) Release of Unknown Claims and Waiver of California Law. Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that the laws of California may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of the release, such as Section 1542 of the Civil Code of the State of California, which provides as follows:

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

Franchisee and the Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under Section 1542 of the Civil Code of the State of California, and under any similar provisions of any other law (as may be applicable to this release), to the fullest extent that Franchisee and the Franchisee Affiliates may lawfully waive such right or benefit pertaining to the subject matter of this release. In connection with such waiver and relinquishment, with respect to the Released Claims, Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that they now know or believe to be true with respect to the subject matter of this release, but that it is Franchisee's and the Franchisee Affiliates' intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. Franchisee and the Franchisee Affiliates agree to defend, indemnify and hold harmless Kings Road and the Kings Road Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by Franchisee and the Franchisee Affiliates (or any person or entity by, through, or on their behalf) of any Released Claims, positions, defenses, or arguments contrary to this Section 6(a) of this Rider.

**[APPLIES ONLY IN SOUTH DAKOTA]** 6(b) Release of Unknown Claims and Waiver of South Dakota Law. Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that the laws of South Dakota may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of this Rider, such as South Dakota Codified Laws § 20-7-11, which provides as follows:

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

Franchisee and the Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under § 20-7-11 of the South Dakota Codified Laws, and under any similar provisions of any other law (as may be applicable to this Agreement), to the fullest extent that they may lawfully waive such right or benefit pertaining to the subject matter of this Rider. In connection with such waiver and relinquishment, with respect to the Released Claims, Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that Franchisee and the Franchisee Affiliates now know or believe to be true with respect to the subject matter of this Rider, but that it is their intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. Franchisee and the Franchisee Affiliates agree to defend, indemnify and hold harmless Kings Road and the Kings Road Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by Franchisee and the Franchisee Affiliates (or any person or entity by, through, or on behalf of Franchisee) of any Released Claims, positions, defenses, or arguments contrary to this Section 6(b) of this Rider.

**7. General.** This Rider shall be construed and enforced in accordance with, and governed by, the laws of the State of Colorado. Nothing in this Rider is intended to disclaim any representations made by Kings Road in the most recent franchise disclosure document provided by Kings Road or its representatives to Franchisee in connection with any exercise of successor franchise rights. The headings are for convenience in reference only and shall not limit or otherwise affect the meaning hereof. This Rider may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. If any provision of this Rider shall be held by a court of competent jurisdiction to be invalid or unenforceable, such provision shall be deemed modified to eliminate the invalid or unenforceable element and, as so modified, such provision shall be deemed a part of this Rider as though originally included. The remaining provisions of this Rider shall not be affected by such modification. All provisions of this Rider are binding and shall inure to the benefit of the Parties and their respective delegatees, successors and assigns.

**8. Inconsistent Terms.** The terms and conditions of this Rider are in addition to or in explanation of the existing terms and conditions of the Agreement and shall prevail over and supersede any inconsistent terms and conditions thereof.

Fully executed this _____ day of __________________, 20___.

**KINGS ROAD FRANCHISING LLC**

By: ______________________________

Its: ______________________________

**FRANCHISEE:**

______________________________

______________________________, Individually

**AND:**

Company Name

______________________________

By: ______________________________

Title: ______________________________

**EXHIBIT F**
**(TO DISCLOSURE DOCUMENT)**

**THE FOLLOWING FORM OF GENERAL RELEASE AGREEMENT IS A SAMPLE OF OUR CURRENT FORM OF GENERAL RELEASE AGREEMENT. THIS AGREEMENT IS OFTEN MODIFIED TO CONFORM TO THE FACTS SURROUNDING THE EVENT OR INCORPORATED INTO A LARGER AGREEMENT WHICH MORE PRECISELY ADDRESSES THE EVENT. WE MAKE NO REPRESENTATION OR GUARANTY THAT THE GENERAL RELEASE AGREEMENT YOU MAY BE REQUIRED TO SIGN WILL BE IDENTICAL TO THE GENERAL RELEASE AGREEMENT SET FORTH BELOW.**

---

**GENERAL RELEASE AGREEMENT**

THIS GENERAL RELEASE AGREEMENT (this "**Agreement**") is made as of ______________________, 201____ by and between KINGS ROAD FRANCHISING LLC, a Colorado limited liability company ("**Kings Road**") and ______________________________ _______, a(n) ______________________ ("**Franchisee**").

**RECITALS**

A. Kings Road and Franchisee entered into that certain Franchise Agreement dated ____________________, 201___, (the "**Franchise Agreement**").

B. Franchisee desires to ________ its rights and obligations under Franchise Agreement.

C. As a condition to the ________ of Franchisee's rights and obligations under the Franchise Agreement, Kings Road requires Franchisee to execute this Agreement.

**AGREEMENT**

NOW, THEREFORE, in consideration of the terms and conditions set forth below, and other good and valuable consideration, the receipt, adequacy and sufficiency of which are acknowledged, the parties hereto, intending to be legally bound, agree as follows:

**1.** **Release**. Franchisee, for itself, its principals, owners, directors, officers, employees, heirs, assigns, agents and representatives, fully and forever unconditionally releases and discharges Kings Road, and its shareholders, directors, officers, employees, successors, assigns, agents and representatives (collectively referred to as "**Kings Road Affiliates**") from any and all claims, demands, obligations, actions, liabilities and damages of every kind and nature whatsoever, in law or in equity, whether known or unknown to it, which it may now have against Kings Road or the Kings Road Affiliates or which it may discover hereafter, in connection with, as a result of, or in any way arising from, any relationship or transaction with Kings Road or the Kings Road Affiliates, however characterized or described, from the beginning of time until the date of this Agreement.

**2.** **Notice**. Any notice, request, demand, statement or consent made under this Agreement shall be in writing and shall be personally delivered or sent by registered or certified mail, return receipt requested, and shall be deemed given when personally delivered or three days after deposit in the United States Mail, postage prepaid, and properly addressed to the other party at its address as set forth below. Each party may designate a change of address by notice to the other party in accordance with this Section.

If to Franchisee: ____________________
____________________
____________________

If to Kings Road: Kings Road Franchising LLC
4014 S. Lemay Ave. #26
Fort Collins, Colorado 80525

**3.** **Colorado Laws**. This Agreement shall be interpreted by the laws of the State of Colorado. Should any provision of this Agreement be found to violate the statutes or court decisions of the State of Colorado or of the United States, that provision shall be deemed to be amended to comply with and conform to such statutes or court decisions to affect the intent of the parties hereto.

**4.** **Binding Effect**. This Agreement shall be binding upon and inure to the benefit of the successors, assigns, trustees, receivers, personal representatives, legatees and devisees of the parties.

**5.** **Attorneys' Fees**. Each party shall be responsible for paying its and his or her own costs and expenses incurred in the preparation of this Agreement. However, in the event of any litigation between the parties based upon an alleged breach or default in their respective obligations to be fulfilled pursuant to this Agreement, the prevailing party in the action shall be entitled to recover attorney's fees and court costs from the non-prevailing party(ies).

**6.** **Entirety**. This Agreement embodies the entire agreement and understanding between the parties and supersedes all prior agreements and understandings related to the subject matter hereof.

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

| KINGS ROAD: | FRANCHISEE: |
| --- | --- |
| **KINGS ROAD FRANCHISING LLC** | ____________________ |
| By: ____________________ | By: ____________________ |
| Name: ____________________ | Name: ____________________ |
| Title: ____________________ | Title: ____________________ |
| Date: ____________________ | Date: ____________________ |

**EXHIBIT G**

**(TO DISCLOSURE DOCUMENT)**

**RESOURCE CENTER MATERIALS TABLE OF CONTENTS**

The Resource Center Materials for Kings Road Franchising LLC are housed electronically on a secure part of the company's website.



Kings Road Franchising LLC 4014 S. Lemay Ave Unit 26 Fort Collins, CO 80525

**EXHIBIT H**
**(TO DISCLOSURE DOCUMENT)**

**LIST OF FRANCHISEES**
**As of December 31, 2017**

**NONE**

**EXHIBIT I**
**(TO DISCLOSURE DOCUMENT)**

## LIST OF FRANCHISEES THAT HAVE LEFT THE SYSTEM

Listed below are the names, city, state and telephone numbers of every U.S. Franchisee who has had a franchise terminated, cancelled, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement within the most recently completed fiscal year; or who has not communicated with Kings Road Franchising LLC within 10 weeks of the issuance date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed in the future to other buyers when you leave the franchise system.

**NONE**

**EXHIBIT K**
**(TO DISCLOSURE DOCUMENT)**

**LIST OF STATE AGENCIES AND**
**AGENTS FOR SERVICE OF PROCESS**

| STATE | STATE AGENCY | AGENT FOR SERVICE OF PROCESS |
|---|---|---|
| **CALIFORNIA** | Department of Business Oversight<br>320 West 4th Street, Suite 750<br>Los Angeles, California 90013<br>(213) 576-7500<br>(866) 275-2677 (toll free)<br><br>1515 K Street, Suite 200<br>Sacramento, California 95814<br>(916) 445-7205<br><br>1350 Front Street, Room 2034<br>San Diego, California 92101<br>(619) 525-4233<br><br>One Sansome Street, Suite 600<br>San Francisco, California 94104<br>(415) 972-8559 | Commissioner<br>California Department of Business Oversight<br>320 West 4th Street, Suite 750<br>Los Angeles, California 90013<br>(213) 526-7500<br>(866) 275-2677 (toll free) |
| **COLORADO** | None | Marc Geman<br>9248 E. Wesley Ave.<br>Denver, Colorado 80231 |
| **IOWA** | Iowa Secretary of State<br>321 E. 12th Street<br>Des Moines, Iowa 50319<br>(515) 281-5204 | Same |
| **OREGON** | Department of Consumer and Business Services<br>Division of Finance and Corporate Securities<br>Labor and Industries Building<br>350 Winter Street NE, Room 410<br>Salem, Oregon 97301-3881<br>(503) 378-4140 | Director of Oregon Department of Consumer and Business Services<br>Division of Finance and Corporate Securities<br>Labor and Industries Building<br>350 Winter Street NE, Room 410<br>Salem, Oregon 97301-3881<br>(503) 378-4140 |
| **TEXAS** | Secretary of State<br>Statutory Document Section<br>James E. Rudder Building<br>1019 Brazos Street<br>Austin, Texas 78701<br>P.O. Box 13550<br>Austin, Texas 78711<br>(512) 463-5705 | None |

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

There may also be additional agents appointed in some of the states listed.

EXHIBIT L
(TO DISCLOSURE DOCUMENT)

STATE SPECIFIC ADDENDA

**STATE LAW ADDENDA TO THE
KINGS ROAD FRANCHISING LLC
FRANCHISE DISCLOSURE DOCUMENT**

The following modifications are to the KINGS ROAD FRANCHISING LLC Franchise Disclosure Document for the states noted below.

CALIFORNIA

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

OUR WEBSITE (www.kingsroadfranchising.com and www.kingsroadcoffee.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

1. The following paragraph is added to the end of Item 3:

Neither we nor any person listed in Item 2 of this 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. § 78a et seq., suspending or expelling these persons from membership in this association or exchange.

2. The following statement is added to the end of Item 6:

In the event that California law is determined to apply, the maximum interest rate permitted under California law varies but is generally 10 percent per annum.

3. The following paragraphs are added to the end of Item 17:

The California Business and Professions Code Sections 20000 through 20043 provide rights to the Franchisee concerning termination, nonrenewal, or transfer of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement contains a covenant not to compete, which extends beyond the termination or expiration of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement requires binding arbitration. The arbitration will occur in Denver, Colorado with the costs being awarded to the prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and Federal laws (such as Business and Professions Code 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provision of the Franchise Agreement restricting venue to a forum outside the State of California.

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

Section 31125 of the Franchise Investment Law requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

You may be required to sign a general release if you renew or transfer your franchise. California Corporations Code § 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§ 31000 through 31516). Business and Professions Code § 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§ 20000 through 20043).

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C. § 101 et seq.)

**RECEIPT**

(Keep this copy for your records.)

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Kings Road 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 requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar-days before the execution of the franchise or other agreement or the payment of any consideration, whichever occurs first.

If Kings Road 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and the state agency listed on Exhibit K.

The franchisor is Kings Road Franchising LLC, located at 4014 South Lemay Ave., #26, Fort Collins, Colorado 80525, telephone: (213) 361-0335.

Issuance date: March 14, 2018.

The franchise seller(s) for this offering is Lawrence Casperson located at 4014 South Lemay Ave., #26, Fort Collins, Colorado 80525, telephone: (213) 361-0335.

Kings Road Franchising LLC authorizes the respective agents identified on Exhibit K to receive service of process for it in the particular state.

I received a Disclosure Document dated March 14, 2018

, and effective in the franchise registration states on the dates noted on the page following the State Cover Page, that included the following Exhibits:

| | | | |
|---|---|---|---|
| A | Franchise Agreement | G | Resource Center Materials Table of Contents |
| B | Multi-Unit Development Agreement | H | List of Franchisees |
| C | Nondisclosure and Noncompetition Agreement | I | List of Franchisees Who Have Left the System |
| D | Closing Acknowledgement | J | Financial Statements |
| E | Successor Franchise Rider to Franchise Agreement | K | List of State Agencies/Agents for Service of Process |
| F | Form of General Release | L | State Addenda to Disclosure Document |

Date: ____________________

(Do not leave blank)

____________________________
Signature of Prospective Franchisee

____________________________
Print Name

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Date: ____________________
(Do not leave blank)

____________________
Signature of Prospective Franchisee

____________________
Print Name

You may return the signed receipt either by signing, dating and mailing it to Kings Road Franchising LLC, located at 4014 South Lemay Ave., #26, Fort Collins, Colorado 80525, telephone: (213) 361-0335, or by emailing a copy of the signed and dated receipt to Lawrence Casperson at: lawrencecasperson@yahoo.com.