

FRANCHISE DISCLOSURE DOCUMENT

Loving Cup Franchise Company LLC
a California limited liability company

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The franchise offered is for a new, old fashioned dessert concept offering hand churned, made to order frozen yogurt, rice pudding and beverages. The franchise operates under the name "Loving Cup" and offers take-out and limited dine-in service.

The total investment necessary to begin operation of a Loving Cup franchise is \$166,350 to \$242,335. This includes \$30,000 to \$35,000 that must be paid to the franchisor and/or its affiliates. The total investment necessary to begin operation of a Loving Cup conversion franchise is \$158,850 to \$234,835, this includes \$22,500 to \$27,500 that must be paid to the franchisor and/or its affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Dez Fiedler at 376 Marin Avenue, Mill Valley, California, 94941, and (415)-795-1549.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC, 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 ~~September 15, 2017~~ March 8, 2018

STATE COVER PAGE

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

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

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

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

- 1 THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION AND LITIGATION ONLY IN CALIFORNIA. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE AND LITIGATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.
- 2 THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENTS, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
- 3 FRANCHISEES MUST ALSO SIGN A PERSONAL GUARANTY, MAKING YOUR SPOUSE INDIVIDUALLY LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE AGREEMENT IF YOU ARE MARRIED. THE GUARANTY WILL PLACE YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS AT RISK IF YOUR FRANCHISE FAILS.
- 4 YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY (SEE ITEM 12).
- 5 IF YOUR ACCEPTED LOCATION IS A NON-TRADITIONAL SITE, YOU WILL NOT RECEIVE A DESIGNATED TERRITORY (SEE ITEM 12).
- 6 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date See next page for state effective dates

STATE EFFECTIVE DATES

The following states require that this Disclosure Document be registered or filed with the state, or be exempt from registration California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin

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

California	November 30, 2017 _____
Connecticut	Exempt
Florida	
Hawaii	
Illinois	
Indiana	
Kentucky	
Maine	Exempt
Maryland	
Michigan	
Minnesota	
Nebraska	
New York	
North Carolina	
North Dakota	
Rhode Island	
South Carolina	Exempt
South Dakota	
Texas	
Utah	
Virginia	
Washington	
Wisconsin	

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EXHIBITS

- A – Financial Statements
- B – Franchise Agreement
- C – List of Franchisees
- D – Franchisees Who Have Left the System
- E – Table of Contents of Confidential Operations Manual
- F – Multi-State Addendum
- G – Franchisee Disclosure Acknowledgment Statement
- H – List of State Administrators/Agents for Service of Process
- I – Form of General Release

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

The Franchisor

The franchisor is Loving Cup Franchise Company LLC (referred to in this Disclosure Document as "Loving Cup," "we," "us," or "our") We were formed as a California limited liability company on May 23, 2017 Our principal address has been 4595 Creekmont Court, Santa Rosa, California, 95404, since our inception As of October 2017, our address will temporarily be 376 Marin Avenue, Mill Valley, California, 94941, for approximately two years We do business under our corporate name and the Marks as described below In this Disclosure Document, we refer to the person or entity that will be signing the Franchise Agreement (defined below) as "you," "your," or "franchisee," which includes all franchise owners and partners, if you are a corporation, partnership or other entity

We are a franchising company which promotes and sells franchises for the operation of stores known as "Loving Cup" ("Store" or "Franchised Business") We ~~will begin~~began offering franchises ~~upon registration of our franchise in the state of California~~November 2017 We have never offered franchises in any other line of business and have not conducted business in any other line of business We do not own or operate a business of the type being franchised

Our agents for service of process are listed in Exhibit H

Our Parents, Predecessors and Affiliates

We have no parent or predecessor, but we have ~~one affiliate~~two affiliates. Our first affiliate is Loving Cup LLC, a California limited liability company formed on January 5, 2009, and headquartered at our address ("Store Affiliate") Our Store Affiliate owns and operates ~~three~~four Stores of the type being franchised as follows - (1) 2356 Polk Street, San Francisco, California, opened in November 2008, (2) 535 Octavia Street, San Francisco, California, opened in May 2014, ~~and~~ (3) 298 Bon Air Center, Greenbrae, California, opened in June 2016 ~~Our Store Affiliate is in negotiations to open a fourth Store in~~, and (4) 2201 Union Street, San Francisco, California, opened in August 2017 Our Store Affiliate owns the Marks which it has licensed to us so that we may sublicense them to our franchisees Our Store Affiliate has never offered franchises in this or any other line of business and is not an approved supplier of any product or service that you must purchase or lease

Our second affiliate is Loving Cup Management Company LLC, a California limited liability company formed on June 28, 2017, and headquartered at our address Our second affiliate has never offered franchises in this or any other line of business and is not an approved supplier of any product or service that you must purchase or lease.

Description of Franchise

The franchise offered is for a new, old fashioned dessert concept offering frozen yogurt, rice pudding and beverages The frozen yogurt is hand churned and custom blended, made to order each time with premium ingredients The Stores operate under the trade name and mark "Loving Cup", and the additional principal service marks, trademarks, trade names, logos, emblems and indicia of origin identified in Item 13 These principal marks and all other marks which may be designated by us in the future in writing for use with the System (defined below) are referred to in this Disclosure Document as the "Marks" or "Proprietary Marks"

Loving Cup Stores are operated under the Marks and the System (described below) in accordance with the terms of the Franchise Agreement. The Stores are generally located in high traffic locations, such as strip mall complexes, shopping malls, lifestyle centers and free-standing locations. Stores will typically need between 600 and 800 square feet of space. Each Store will offer take-out and limited dine-in service and may, with our prior consent, offer limited catering service.

We offer a conversion program for those franchisees who own and operate an existing frozen dessert business and wish to convert the business to a Loving Cup Store. Unless otherwise noted, the terms for a conversion franchise are the same as for a start-up franchise.

We reserve the right to develop a customized trailer for providing on-site catering services. If we develop this program and offer it to franchisees, the franchisee must be in good standing under the Franchise Agreement and it will require an extra expense to purchase and maintain the customized trailer. As of the date of this Disclosure Document, this on-site catering program is not available.

The Stores are established and operated under a comprehensive and unique system (the "System"). The System includes distinctive signage, interior and exterior design, decor and color scheme, special recipes and menu items, including proprietary products and ingredients, uniform standards, specifications, and procedures for operations, quality and uniformity of products and services offered, inventory, management and financial control procedures (including point of sale and tracking systems), training and assistance, and advertising all of which we may change, improve, and further develop, in our discretion. Certain aspects of the System are more fully described in this Disclosure Document and the confidential operations manual, which you should expect to evolve over time, that are provided to you as a franchisee.

Franchise Agreement

We offer the right to establish and operate a Store under the terms of a single unit franchise agreement (the "Franchise Agreement"), Exhibit B to this Disclosure Document. You may be an individual, corporation, partnership or other form of legal entity. Under the Franchise Agreement, certain parties are characterized as Franchisee's Principals (referred to in this Disclosure Document as "your Principals"). The Franchise Agreement is signed by us, by you, and by those of your Principals whom we designate as Controlling Principals. In most instances, we will designate your principal equity owners and executive officers, and certain affiliated entities as Controlling Principals. By signing the Franchise Agreement, your Controlling Principals agree to be individually bound by certain obligations in the Franchise Agreement, including covenants concerning confidentiality and non-competition, and to personally guarantee your performance under the Franchise Agreement. Depending on the type of business activities in which you or your Principals may be involved, we may require you or your Principals to sign additional confidentiality and non-competition agreements.

You must designate a General Manager who will be the main individual responsible for your business. We recommend, but do not require, that you be the General Manager. Your General Manager does not have to own an equity interest in you or the franchise. The General Manager must sign covenants to maintain the confidentiality of information he/she learns while employed as your General Manager, and your General Manager must sign non-competition covenants.

Market and Competition

This highly developed market for stores offering frozen dessert products is part of a \$5.4 billion industry that enjoys steady sales throughout the calendar year, with spikes in sales during the summer months. Within this market, Loving Cup differentiates itself through the use of natural, premium

ingredients and hand churning each order to the customer's taste using a proprietary blending machine. You will serve the general public and will compete with a variety of businesses, including locally owned stores to regional, national and chain stores, some of which may be franchise systems.

We may establish other Stores in your Designated Territory (if permitted under the Franchise Agreement) and/or sell or license others to sell products in your Designated Territory. Also we may sell products through other channels of distribution, including the ~~Internet~~internet, wholesale, the ~~Internet~~internet, toll-free telephone numbers, catalogs, or other similar means of distribution to customers at any location, which may be located in your Designated Territory. See Items 12 and 16 for a description of your permitted activities and your rights, and our permitted and restricted activities and rights.

Industry Regulations

The food service industry is heavily regulated. A wide variety of Federal, state and local laws, rules and regulations have been enacted that may impact the operation of your Store, and may include those which (a) establish general standards, zoning, permitting restrictions and requirements and other specifications and requirements for the location, construction, design, maintenance and operation of the Store's premises, (b) set standards pertaining to employee health and safety, (c) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for stores and laws and regulations relating to access by persons with disabilities, employee practices concerning the storage, handling, cooking and preparation of food, restrictions on smoking, requirements for public accommodations and requirements for fire safety and general emergency preparedness, (d) establish requirements for food identification and labeling, and (e) regulate advertisements. State and local agencies inspect Stores to ensure that they comply with these laws and regulations. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your Store and you should consider both their effect and costs of compliance.

Many of the laws, rules and regulations that apply to business generally, such as the Americans With Disabilities Act, Federal Wage and Hour Laws and the Occupational Safety and Health Act, also apply to stores. The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce laws and regulations that govern food preparation and service and store sanitary conditions. The federal Clean Air Act and various implementing state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particulate matters, including caps on emissions from commercial food preparation. Some areas have also adopted or are considering proposals that would regulate indoor air quality.

The Nutrition Labeling and Education Act (NLEA) sets regulations for food labeling, including nutritional label standards, nutrient content claims, and health claims. NLEA applies to virtually all foods in the food supply, including food served and sold in Stores. While NLEA specifies a number of exemptions for stores, there are many instances where a nutritional label is required. The Food and Drug Administration's *Nutritional Labeling Guide for Restaurants and Other Retail Establishments* provides answers to commonly asked questions regarding the application of NLEA.

You must identify, investigate, satisfy and comply with all laws, ordinances and/or regulations applicable to your Store, including employment, workers' compensation, insurance, corporate, tax, public health and similar laws and regulations, because they vary from place to place, can change over time and may affect the operation of your Store. You should independently research and review the legal requirements of the food services industry with your own attorney before you sign any binding documents or make any investments.

The General Manager and other employees we designate must be ServSafe (or similar) certified

ITEM 2 **BUSINESS EXPERIENCE**

Elizabeth Fiedler—Co-Founder & Managing Member

Elizabeth Fiedler has been our founder and member since our inception in May 2017. From March 2008 to the present she has been founder and ~~managing member~~ owner/operator of our affiliate, Loving Cup LLC, with offices at 376 Marin Avenue, Mill Valley, California, 94941.

Desraeli Fiedler—Co-Founder & Managing Member

Desraeli Fiedler has been our co-founder and member since our inception in May 2017. Since June 2017, Desraeli has been the Owner/Operator of our second affiliate, Loving Cup Management Company LLC. From August 2013 to the present, Desraeli has been owner/operator of our affiliate, Loving Cup LLC. From January 2015 to January 2016, Desraeli was an Associate Broker with Alain Pinel Realtors. Desraeli was a financial services litigation attorney with the law firm Smith Dollar ~~PC, PC~~ from August 2011 to August 2013 ~~before leaving to join his wife, Elizabeth, to pursue expansion of the business~~.

Pascal Rigo—Managing Member

Pascal Rigo has been a member of Loving Cup Franchise Company LLC since our inception in May 2017. ~~Mr. Rigo~~ Pascal is a partner in Sitari Ventures LLC, a business consulting firm located in Redwood City, California, since March 2016. Since April 1995, ~~Pascal~~ he has also been the founder and owner of Bay Bread and La Boulangerie de San Francisco (formerly La Boulange), both restaurants and food service businesses located in San Francisco, California.

Nicolas Bernadi—Managing Member

Nicolas Bernadi has been a member of Loving Cup Franchise Company LLC since our inception in May 2017. ~~Since March 2016, Mr. Bernadi~~ October 2017, Nicolas has served as the managing partner at Sitari Ventures LLC, a business consulting firm located in Redwood City, California. ~~Mr. Bernadi~~ Nicolas has also been a partner and board member of La Boulangerie de San Francisco, a restaurant and food service business in San Francisco, California, since March 2016. From September 2014 to the present, Nicolas has served as a board member of Pantry Retail Inc. From July 2013 to December 2014, he was Vice President of Product Development and Marketing & Manufacturing at La Boulange in San Francisco.

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**

Initial Franchise Fee If you are purchasing your first Loving Cup Store franchise, you must pay an initial franchise fee of \$30,000 ("Initial Franchise Fee") The Initial Franchise Fee may be discounted as follows (a) if you currently operate a frozen dessert business and wish to convert your business to a Loving Cup Store, the Initial Franchise Fee will be reduced to 75% of our then-current Initial Franchise Fee for a single Store, or (b) if you are a qualified United States veteran and you are purchasing your first Loving Cup Store franchise, the Initial Franchise Fee will be reduced to 85% of our then-current Initial Franchise Fee for a single Store No other discounts are provided for the purchase of a single store and discounts cannot be combined If you qualify for more than one discount, the greater discount you qualify for will be granted

If you are purchasing your second or later Store franchise, the Initial Franchise Fee will be reduced to 2/3 of our then-current Initial Franchise Fee

The Initial Franchise Fee is paid in a lump sum when you sign the Franchise Agreement and is not refundable under any circumstances The Initial Franchise Fee is not imposed uniformly on all franchisees ~~that purchase a Store franchise~~

As we have not yet sold a franchise, no discounts to the Initial Franchise Fee have been granted

Grand Opening Marketing Campaign You must spend between \$3,000 and \$5,000 on a grand opening marketing campaign to promote the opening of your Store We reserve the right to collect \$5,000 from you and conduct your grand opening marketing campaign on your behalf If we collect this money, it is non-refundable

There are no other purchases from or payments to us or any affiliate of ours that you must make before your Store opens

ITEM 6 **OTHER FEES**

Column 1 Type of fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Royalty Fee ⁽²⁾	7% of Gross Sales	Payable each Wednesday for the previous week ending Sunday	Royalty Fees are calculated based on Gross Sales for the previous week ending Sunday Amounts due will be withdrawn by EFT from your designated bank account
Brand Development Fee	Up to 2% of Gross Sales Currently 1% of Gross Sales	Payable at the same time and in the same manner as the Royalty	The Brand Development Fund is described in Item 11 We may increase the Brand Development Fee, up to the maximum of 2% of Gross Sales, with 60 days prior written notice to you
Local Marketing	1% of Gross Sales	Must be spent each month	Payable to your local marketing suppliers Any marketing you wish to use must first be approved by us

Column 1 Type of fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Cooperative Marketing	As determined by the members	As determined by the members	If a marketing cooperative is formed for your area, you must join the cooperative. Any money you contribute to a cooperative will count toward your local marketing requirement. See note 3.
Initial Training Program for Additional or Replacement Employees	Our then-current training fee per person, plus expenses Current training fee = \$1,500 per person	Before training	We will train up to two people at no additional charge. If you request that we provide our initial training program to any additional employees, or to new or replacement employees during the term of your Franchise Agreement, you must pay our training fee as well as the trainees' expenses, including travel, lodging, meals and wages.
Additional On-Site Training	Our then-current per diem rate per trainer, plus expenses Current per diem rate = \$150 to \$250, depending on the experience of the trainer	Within 30 days after billing	If you request that we provide additional training at your Store or if we determine that additional training is necessary, you must pay our daily fee for each trainer we send to your Store, and you must reimburse each trainer's expenses, including travel, lodging and meals.
Transfer Fee – Transfer Between Owners	\$1,500	With request for approval of transfer	For any transfer of ownership interests or shares between the owners of the franchise, or if you are adding a new owner (as long as majority ownership does not change).
Transfer Fee	2/3 of our then-current initial franchise fee for a single Store franchise, if the transfer is to a new franchisee for the System 1/3 of our then-current initial franchise fee for a single Store franchise, if the transfer is to an existing franchisee in the System	With request for approval of transfer	No fee charged for a one-time transfer from individual(s) to a corporate entity formed for convenience of ownership of the franchise.

Column 1 Type of fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Renewal Fee	\$5,000	Upon renewal of the Franchise Agreement	
Relocation Fee	25% of our then-current initial franchise fee for a single Store franchise	When your request to relocate your Store has been approved	If you wish to relocate your Store, you must apply to us for our consent to the relocation and pay the relocation fee
Interest	18% per annum or the highest interest rate allowed by applicable law, whichever is greater	With payment of past due amount	Due on all overdue amounts Interest accrues from the original due date until payment is received in full
Audit	Cost of audit (estimated to be between \$1,000 and \$5,000)	When billed	Payable only if we find, after an audit, that you have understated any amount you owe to us or you have understated Gross Sales by 2% or more. You must also pay the understated amount plus interest
Prohibited Product or Service Fine	\$250 per day of use of unauthorized products or services	If incurred	In addition to other remedies available to us. This may not be enforceable under California law
Insurance	Premiums and our costs and expenses plus 10% administrative fee	When billed	Due only if you fail to maintain insurance and we (at our option) obtain insurance on your behalf
Management Fee	10% of Gross Sales plus expenses	If incurred	We may step in and manage your Store in certain circumstances, including your death, disability or prolonged absence. We will charge a management fee if we manage your Store, and you must reimburse our expenses
Indemnification	Will vary under circumstances	As incurred	You must reimburse us for the costs we incur if we are sued or held liable for claims that arise from your operation of the Franchised Business, or for costs associated with defending claims that you used the Marks in an unauthorized manner

Column 1 Type of fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	If you default your Franchise Agreement with us, you must reimburse us for the expenses we incur (such as attorneys' fees) in enforcing or terminating the agreement
Product and/or Supplier Evaluation	Reimbursement of our evaluation costs	On demand	Applies to new products and suppliers you wish to use that we have not previously approved May be paid by suppliers
Gift Cards and Loyalty Cards	Will vary depending on the number of gift and/or loyalty cards you distribute to customers	To be determined	We reserve the right to develop a gift card and/or loyal card program for all Loving Cup Stores If we develop this program, you must participate in it
Transaction Processing	2.75% of transaction amount	Monthly	Payable to approved supplier Unless we designate otherwise, you must use Square for your point of sale transactions
Loyalty and Marketing Program	\$70	Monthly	Payable to approved supplier You must participate in the loyalty and marketing programs offered by Square
Insufficient Funds Fee	\$100 per occurrence	On demand, if incurred	Payable if there are insufficient funds in your account to pay fees due to us If you incur three insufficient funds fees in any 12 month period, we have the right to terminate your Franchise Agreement

Column 1 Type of fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Liquidated Damages	If we terminate your Franchise Agreement for cause, you must pay us the amount equal to the average monthly Royalty Fees you paid or owed to us during the 12 months of operation preceding the effective date of termination multiplied by (a) 24 (being the number of months in two full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is lower	15 days after termination	Payable to us
Customer Satisfaction Evaluations ("Mystery Shops")	Up to \$250 per month	As incurred	Payable to our approved supplier You must participate in the mystery shop program
Quality Assurance Audits	Up to \$350	Quarterly	We reserve the right to contract with a quality assurance auditing company to inspect your Store to make sure you are operating according to our specifications May be payable to us as a reimbursement or directly to the approved supplier This is in addition to any mystery shopper service we require
On-line Ordering	10% to 15% of the transaction amount	As incurred	Payable to the approved supplier You must participate in our on-line ordering program through Square, which has no additional cost, but we may also require you to participate in other on-line ordering and delivery programs, such as Uber Eats and Postmates

Column 1 Type of fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
ServSafe (or similar) Certification	\$150 per person or the then-current market rate	As needed	Your general manager and other employees we designate must be ServSafe or similarly certified Payable to an approved supplier
Store Refurbishment	Will vary under the circumstances	As incurred	You must regularly maintain your Store and its equipment We may periodically require you to refurbish your Store to meet our then-current image for new Loving Cup Stores, but we will not require this more frequently than every five years

Notes

- (1) All fees described in this Item 6 are non-refundable Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us Except as specifically stated above, the amounts given may be due to changes in market conditions, our cost of providing services and future policy changes At the present time we have no plans to increase payments over which we have control, but as noted in the chart above and in these notes, we have the right to increase certain fees upon notice to you

- (2) For the purposes of determining the royalties to be paid under the Franchise Agreement, "Gross Sales" means the total selling price of all services and products and all income of every other kind and nature related to the Store, whether for cash or credit and regardless of collection in the case of credit If a cash shortage occurs, the amount of Gross Sales will be determined based on the records of the point of sale system and any cash shortage will not be considered in the determination Gross Sales expressly excludes taxes collected from your customers and paid to the appropriate taxing authority and customer refunds or adjustments

You must report your Gross Sales to us by Tuesday each week for the previous week ending Sunday You must make sure that we have access to your Square account so that we can access your transaction information Even though we will have access to your transaction information, you must still provide us with the required report of Gross Sales The Royalty Fee and Brand Development Fee will be withdrawn from your designated bank account by electronic funds transfer ("EFT") weekly on Wednesday based on the Store's Gross Sales for the preceding week ending Sunday If you do not report the Store's Gross Sales, we may debit your account for 120% of the last Royalty Fee and Brand Development Fee that we debited If the fees we debit are less than the fees you actually owe us, once we have been able to determine the true and correct Gross Sales, we will debit your account for the balance on a day we specify If the fees we debit are greater than the fees you actually owe us, we will credit the excess against the amount we otherwise would debit from your account during the following week

If any state imposes a sales or other tax on the Royalty Fees, then we have the right to collect this tax from you

- (3) Cooperatives will include all Stores in a designated geographic area, whether owned by us, our affiliates or our franchisees Each Store has one vote on all cooperative matters, but no one Store

or commonly controlled group of Stores will have more than 25% of the total vote No Cooperatives have been established as of the date of this Disclosure Document

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

(1) Type of Expenditure	(2) Amount	(3) Method of Payment	(4) When Due	(5) To Whom Payment is to be Made
Initial Franchise Fee ⁽¹⁾	\$30,000	Lump Sum	When Franchise Agreement Signed	Us
Rent – 3 Months ⁽²⁾	\$7,500 to \$18,000	As arranged	As arranged	Landlord
Lease & Utility Security Deposit ⁽³⁾	\$5,000 to \$12,000	As arranged	As arranged	Landlord, Utility Companies
Design & Architect Fees ⁽⁴⁾	\$2,000 to \$5,000	As arranged	As arranged	Designer or Architect
Leasehold Improvements ⁽⁵⁾	\$25,000 to \$50,000	As arranged	As arranged	Contractor
Signage ⁽⁶⁾	\$3,000 to \$8,000	As arranged	As arranged	Suppliers
Furniture and Fixtures ⁽⁷⁾	\$32,000 to \$40,000	As arranged	As arranged	Suppliers
Equipment ⁽⁷⁾	\$2,500 to \$3,500	As arranged	As arranged	Suppliers
Yogurt Machines ⁽⁷⁾	\$27,000	As arranged	As arranged	Supplier
Point of Sale & Computer Equipment ⁽⁸⁾	\$1,000	As arranged	As arranged	Suppliers
Security System	\$2,500 to \$3,000	As arranged	As arranged	Suppliers
Office Equipment & Supplies ⁽⁹⁾	\$4,000 to \$5,000	As arranged	As arranged	Suppliers
Business Licenses & Permits ⁽¹⁰⁾	\$2,500 to \$3,500	As arranged	As arranged	Government Agencies
Professional Fees ⁽¹¹⁾	\$3,000 to \$6,000	As arranged	As arranged	Attorney, Accountant
Insurance – Annual Premium ⁽¹²⁾	\$4,000 to \$5,000	As arranged	As arranged	Insurance Companies

(1) Type of Expenditure	(2) Amount	(3) Method of Payment	(4) When Due	(5) To Whom Payment is to be Made
Initial Inventory ⁽¹³⁾	\$3,000 to \$5,000	As arranged	As arranged	Suppliers
Training Expenses ⁽¹⁴⁾	\$350 to \$3,335	As arranged	As arranged	Airline, Hotel, Restaurant, etc
Grand Opening Marketing ⁽¹⁵⁾	\$3,000 to \$5,000	As arranged	Within first 60 days of operation	Suppliers or Us
Additional Funds – 3 Months ⁽¹⁶⁾	\$9,000 to \$12,000	As arranged	As arranged	You Determine
Total ⁽¹⁷⁾	\$166,350 to \$242,335			

<u>CONVERSION FRANCHISED BUSINESS</u>				
<u>Type of Expenditure</u>	<u>Amount</u>	<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is to be Made</u>
<u>Initial Franchise Fee ⁽¹⁾</u>	<u>\$22,500</u>	<u>Lump Sum</u>	<u>When Franchise Agreement Signed</u>	<u>Us</u>
<u>Rent – 3 Months ⁽²⁾</u>	<u>\$7,500 to \$18,000</u>	<u>As arranged</u>	<u>As arranged</u>	<u>Landlord</u>
<u>Lease & Utility Security Deposit ⁽³⁾</u>	<u>\$5,000 to \$12,000</u>	<u>As arranged</u>	<u>As arranged</u>	<u>Landlord, Utility Companies</u>
<u>Design & Architect Fees ⁽⁴⁾</u>	<u>\$2,000 to \$5,000</u>	<u>As arranged</u>	<u>As arranged</u>	<u>Designer or Architect</u>
<u>Leasehold Improvements ⁽⁵⁾</u>	<u>\$25,000 to \$50,000</u>	<u>As arranged</u>	<u>As arranged</u>	<u>Contractor</u>
<u>Signage ⁽⁶⁾</u>	<u>\$3,000 to \$8,000</u>	<u>As arranged</u>	<u>As arranged</u>	<u>Suppliers</u>
<u>Furniture and Fixtures ⁽⁷⁾</u>	<u>\$32,000 to \$40,000</u>	<u>As arranged</u>	<u>As arranged</u>	<u>Suppliers</u>
<u>Equipment ⁽⁷⁾</u>	<u>\$2,500 to \$3,500</u>	<u>As arranged</u>	<u>As arranged</u>	<u>Suppliers</u>
<u>Yogurt Machines ⁽⁷⁾</u>	<u>\$27,000</u>	<u>As arranged</u>	<u>As arranged</u>	<u>Supplier</u>
<u>Point of Sale & Computer Equipment ⁽⁸⁾</u>	<u>\$1,000</u>	<u>As arranged</u>	<u>As arranged</u>	<u>Suppliers</u>
<u>Security System</u>	<u>\$2,500 to \$3,000</u>	<u>As arranged</u>	<u>As arranged</u>	<u>Suppliers</u>
<u>Office Equipment & Supplies ⁽⁹⁾</u>	<u>\$4,000 to \$5,000</u>	<u>As arranged</u>	<u>As arranged</u>	<u>Suppliers</u>

<u>CONVERSION FRANCHISED BUSINESS</u>				
<u>Type of Expenditure</u>	<u>Amount</u>	<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is to be Made</u>
<u>Business Licenses & Permits</u> ⁽¹⁰⁾	<u>\$2,500 to \$3,500</u>	<u>As arranged</u>	<u>As arranged</u>	<u>Government Agencies</u>
<u>Professional Fees</u> ⁽¹¹⁾	<u>\$3,000 to \$6,000</u>	<u>As arranged</u>	<u>As arranged</u>	<u>Attorney, Accountant</u>
<u>Insurance – Annual Premium</u> ⁽¹²⁾	<u>\$4,000 to \$5,000</u>	<u>As arranged</u>	<u>As arranged</u>	<u>Insurance Companies</u>
<u>Initial Inventory</u> ⁽¹³⁾	<u>\$3,000 to \$5,000</u>	<u>As arranged</u>	<u>As arranged</u>	<u>Suppliers</u>
<u>Training Expenses</u> ⁽¹⁴⁾	<u>\$350 to \$3,335</u>	<u>As arranged</u>	<u>As arranged</u>	<u>Airline, Hotel, Restaurant, etc.</u>
<u>Grand Opening Marketing</u> ⁽¹⁵⁾	<u>\$3,000 to \$5,000</u>	<u>As arranged</u>	<u>Within first 60 days of operation</u>	<u>Suppliers or Us</u>
<u>Additional Funds – 3 Months</u> ⁽¹⁶⁾	<u>\$9,000 to \$12,000</u>	<u>As arranged</u>	<u>As arranged</u>	<u>You Determine</u>
<u>Total</u>	<u>\$158,850 to \$234,835</u>			

In general, none of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable. We do not finance any portion of your initial investment. All of our estimates assume that you will purchase the required items. Your costs may be lower if you choose to lease some items.

Notes

1 ***Initial Franchise Fee*** The initial franchise fee is discussed in Item 5 — ~~Our estimate assumes you are purchasing a start-up franchise and are not entitled to any discount.~~

2 ***Rent*** Our estimates assume that you will lease space for your Store. Your Store must be in a high traffic location, such as a strip mall complex, shopping mall, lifestyle center or free-standing location, and you will need approximately 600 to 800 square feet. Landlords may vary the base rental rate and charge rent based on a percentage of gross sales. In addition to base rent, your lease may require you to pay common area maintenance charges (“CAM Charges”) for your pro rata share of the real estate taxes and insurance, and your pro rata share of other charges. The actual amount you pay under the lease will vary depending on the size of the Store, the types of charges that are allocated to tenants under the lease, your ability to negotiate with landlords and the prevailing rental rates in the geographic region.

If you choose to purchase real property on which to build your Store, your initial investment will probably be higher than what we estimate above. If you purchase real property, we cannot estimate how this purchase will affect your total initial investment.

3 ***Lease & Utility Security Deposit*** You will need to provide one to two months of rent as a security deposit to your landlord, and you may need to provide security deposits for your utilities (such as gas, water and/or electric).

4 ***Design & Architect Fees*** You must obtain construction plans for the build-out of your Store according to our specifications. We reserve the right to designate and/or approve of the designer and/or architect you use. If you are purchasing a conversion franchise, it will be expected that your Store will undergo a complete and full conversion to our design specs.

5 ***Leasehold Improvements*** The cost of leasehold improvements will vary depending on many factors, including ~~-(a)~~ the size and configuration of the premises, ~~(+b)~~ pre-construction costs (including demolition of existing walls and removal of existing improvements and fixtures), and ~~(+c)~~ cost of materials and labor, which may vary based on geography and location or whether you must use union labor for the build-out of your Store. These figures are our principals' best estimate based on remodeling/finish-out rates in the San Francisco, California, area. These amounts may vary substantially based on local conditions, including the availability and prices of labor and materials. These costs may also vary depending on whether certain of these costs will be incurred by the landlord or through landlord tenant improvement contributions, and the condition of the space before you take possession of the premises. Our estimate includes the cost of preparing construction plans. The low end of our estimate assumes that you have leased space that previously operated as a retail store and that you some construction will be needed to transform to a Loving Cup Store. The high end of our estimate assumes that you have leased a "vanilla box" space and that more improvements are required. Our estimate does not include any tenant improvement allowance that you may negotiate.

If you are purchasing a conversion franchise, the estimates are related to the complete refurbishment and renovation of your existing space to our Store specs.

6 ***Signage*** These amounts represent your cost for interior and exterior signage. Your landlord or your local ordinances may have different restrictions it places on interior and exterior signage which may affect your costs.

7 ***Equipment, Furniture and Fixtures*** The equipment you will need includes refrigerated counter display case, freezers, refrigerators, waffle iron, and shelving. Our estimate for the specialized yogurt mixing machines assumes that you will purchase three yogurt machines. The furniture and fixtures you will need for your Store include tables and chairs, menu board and decor items.

8 ***Point of Sale & Computer Equipment*** You must purchase or lease the point of sale and computer system that we designate. Additional information regarding the required point of sale and computer system is included in Item 11.

9 ***Office Equipment & Supplies*** You will need to have typical office equipment, including fax machine and telephone, and an initial supply of typical office supplies.

10 ***Business Licenses and Permits*** These are estimates of the costs for obtaining local business licenses which typically remain in effect for one year. These figures do not include occupancy and construction permits which are included in the leasehold improvements estimate. The cost of these permits and licenses will vary substantially depending on the location of the Franchised Business. We strongly recommend that you verify the cost for all licenses and permits required in your jurisdiction before signing the Franchise Agreement.

11 ***Professional Fees*** We strongly recommend that you engage an accountant and a franchise attorney to advise you in your evaluation of the franchise we are offering.

12 **Insurance** These figures are estimates of the cost of the annual premiums for the insurance you must obtain and maintain for your Store, as described in Item 8 Insurance premiums may be payable monthly, quarterly, semi-annually or annually, based on the insurance company's practices and your creditworthiness

13 **Initial Inventory** These amounts represent your initial inventory of food and beverage supplies, paper products, and cleaning materials and supplies

14 **Training Expenses** We provide initial training for up to two people at no additional charge These estimates include only your out-of-pocket costs associated with attending our initial training program, including travel, lodging, meals and applicable wages These amounts do not include any fees or expenses for training any other personnel Your costs may vary depending on your selection of lodging and dining facilities and mode and distance of transportation Our training program lasts for approximately one week The low end of our estimate assumes that the trainees are within driving distance of our training facility

15 **Grand Opening Marketing** You must conduct a grand opening marketing campaign and you must spend between \$3,000 and \$5,000 during your first 60 days of operation on your campaign We may designate a different time period for you to conduct the grand opening marketing Your grand opening marketing campaign must include give-aways of food samples and other promotions, as we require, and we must approve of your grand opening marketing campaign before it is conducted We reserve the right to collect \$5,000 from you and conduct your grand opening marketing campaign on your behalf

16 **Additional Funds** You will need capital to support ongoing expenses, such as payroll, utilities, rent, Royalty Fees and Brand Development Fees, if these costs are not covered by sales revenue for your first three months of operation Our estimate does not include any sales revenue you may generate New businesses often generate a negative cash flow We estimate that the amount given will be sufficient to cover ongoing expenses for the start-up phase of the business, which we calculate to be three months This is only an estimate and there is no guarantee that additional working capital will not be necessary during this start-up phase or after

17 **Total** We relied upon our Store Affiliate's experience in operating similar stores in San Francisco, California, since 2008 when preparing these figures Your actual costs may vary greatly and will depend on factors such as the size and condition of the space and cost to convert to a Store, your management skill, experience and business acumen, local economic conditions, the local market for the Store's products, the prevailing wage rate, competition, and the sales level reached during the start-up phase These amounts do not include any estimates for debt service These are only estimates and your costs may vary based on actual rental prices in your area, and other site-specific requirements or regulations The costs outlined in this Item 7 are not intended to be a forecast of the actual cost to you or to any particular franchisee

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase or lease and install all fixtures, furnishings, equipment (including point of sales system), decor items, signs and related items we require, all of which must conform to the standards and specifications stated in our Confidential Operations Manual ("Manual") or otherwise in writing, unless you have first obtained our written consent to do otherwise You may not install or permit to be installed on the Store premises any fixtures, furnishings, equipment, decor items, signs, games, vending machines or other items without our written consent or that do not comply with our specifications

To make sure that the highest degree of quality and service is maintained, you must operate the Store in strict conformity with the methods, standards and specifications that we prescribe in the Manual or otherwise in writing. You must maintain in sufficient supply and use and sell at all times only those food and beverage items, ingredients, products, materials, supplies and paper goods that meet our standards and specifications. All menu items must be prepared according to the recipes and procedures specified in the Manual or other written materials. You must not deviate from these standards and specifications by the use or offer of non-conforming items, or differing amounts of any items, without obtaining our written consent first. We can, and expect to, modify our standards and specifications as we deem necessary. We will provide you notice in writing in the Manual or other methods (such as by e-mail) of any changes in the standards and specifications.

You must permit us or our agents, at any reasonable time, to remove a reasonable number of samples of food or non-food items from your inventory or from the Store free of charge for testing by us or by an independent laboratory to determine whether the samples meet our then-current standards and specifications. In addition to any other remedies we may have, we may require you to pay for the testing if we have not previously approved the supplier of the item or if the sample fails to conform to our specifications.

You must obtain all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including point of sale system), and other products used or offered for sale at the Store solely from suppliers who demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards or in accordance with our standards and specifications. A complete list of our approved products and suppliers will be included in the Manual and is subject to change over time. We will provide you notice in the Manual or otherwise in writing (such as via e-mail) of any changes to the lists of approved products and approved suppliers.

Neither we nor our Store Affiliate is an approved supplier of any product or service that you must purchase or lease. None of our officers has an ownership interest in any approved supplier.

If you wish to purchase, lease or use any unapproved products or other items, or obtain them from an unapproved supplier, you must submit a written request for approval or you must request the supplier to do so. We must approve any product or supplier in writing before you make any purchases of that product or from that supplier. We can require that our representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered, either to us or to an independent laboratory, for testing. You or the supplier must reimburse our costs related to our evaluation of the proposed product or supplier. We reserve the right to re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier fails to continue to meet any of our then-current standards. Our supplier approval procedure does not obligate us to approve any particular supplier. We will notify you in writing within 30 days after you have requested our approval whether the proposed product or supplier is, in fact, approved or disapproved. We are not required to make available to you or to any supplier our criteria for product or supplier approval that we deem confidential. We are not obligated to approve any specific product or supplier if we believe that approval of that product or supplier is not in the best interests of the System. We may revoke our prior approval of any product or supplier at any time, and after your receipt of written notice from us regarding our revocation you must stop using that product or stop purchasing from that supplier. We will permit you to purchase certain items from any supplier, provided that the product or supplier has met our criteria.

We have developed, and may continue to develop, for use in the System certain proprietary products which are prepared from confidential proprietary recipes and manufactured according to our specifications and other proprietary products which bear the Marks. Because of the importance of quality

and uniformity of production and the significance of those products in the System, it is to your and our benefit that we closely control the production and distribution of those products. Therefore, you will use only our proprietary recipes and other proprietary products and will purchase those items only from us or from the supplier we designate.

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of the System. As of the date of this Disclosure Document, there are no purchasing or distribution cooperatives in which you must participate. When determining whether to grant new, additional or renewal franchises, we consider many factors, including your compliance with the requirements described in this Item 8, but your compliance with these requirements does not automatically give you the right to an additional or renewal franchise.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the Stores in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products, equipment and services you must purchase or lease, and we may refuse to approve proposals from franchisees to add new products or suppliers if we believe that approval would not be in the best interests of the System or the franchised network of Stores.

We reserve the right to approve any third party bookkeeping or accounting firm you select to maintain the books and records for your Store. We also reserve the right to designate a third party bookkeeping or accounting firm that you must use.

We have the right to collect and retain any and all allowances, rebates, credits, incentives, or benefits (collectively, "Allowances") offered by manufacturers, suppliers, and distributors to you, to us, or to our affiliate, based upon your purchases of products and services from manufacturers, suppliers, and distributors. We or our affiliates will have all of your right, title, and interest in and to any and all of these Allowances. We or our affiliates may collect and retain any or all of these Allowances without restriction (unless otherwise instructed by the manufacturer, supplier, or distributor). If we contribute any Allowances from approved suppliers to the Brand Development Fund, it does not reduce or eliminate your obligation to pay the Brand Development Fee. During the fiscal year ended December 31, ~~2016~~2017, neither we nor our affiliates earned any Allowances.

All advertising and promotional materials, signs, decorations, paper goods (including menus and all forms and stationery used in the Store) and other items we designate must bear the Marks in the form, color, location and manner we prescribe. In addition, all advertising and promotion in any medium must be conducted in a dignified manner and must conform to the standards and requirements specified in the Manual or otherwise in writing. You must obtain our approval before you use any advertising materials and plans if we have not prepared or approved them during the 12 months before their proposed use. Any advertising materials you submit to us for our review will become our property.

You must obtain our acceptance of the site for the Store before you acquire the site. You must also obtain our acceptance of any contract of sale or lease for the Store before you sign the contract or lease. We reserve the right to require you to use a real estate broker we designate to assist you in finding a location for your Store. You must provide us with a copy of the fully signed lease for the Store premises. We may require you and your landlord to sign a Collateral Assignment of Lease which permits us to assume your lease in certain circumstances, including the termination or expiration of your Franchise Agreement (Attachment B to the Franchise Agreement). If you are a conversion franchisee, by offering you a Franchise Agreement we will be deemed to have accepted your existing location.

Your Store must be constructed according to plans that we have approved. We will provide you with sample plans and/or our specifications for a Loving Cup Store, and we reserve the right to designate the architect/designer that you must use. We also reserve the right to approve the contractor you select. You must arrange for construction plans to be created that incorporate our requirements into the size and shape of the approved site for your Store. You may not use the plans or begin building out your Store until we have approved the construction plans, and any changes to the construction plans must also be approved by us before the change may be implemented. Our review is not meant to assess compliance with any applicable laws, regulations or building codes. Our review is only to verify that the construction plans accurately present our trade dress, the Marks and meet our specifications. We reserve the right to inspect your Store while it is being constructed. You may not open your Store for business without our approval. You must certify to us that your Store has been constructed in compliance with the Americans with Disabilities Act.

Before you begin construction on the Store, you must obtain the insurance coverage for the Store that is required by the terms of your lease and applicable law, and that we specify in the Manual or otherwise in writing. Your insurance coverage must be maintained during the term of the Franchise Agreement and must be obtained from a responsible, duly licensed carrier or carriers acceptable to us and having a rating of at least "A" with A.M. Best Company. All insurance must be on an "occurrence" basis. Currently you must maintain the following insurance. You must obtain and maintain at your own expense the insurance coverage that we and your Store's landlord periodically require. You must also meet the other insurance-related obligations in the Franchise Agreement. Our specific insurance requirements will be included in the Manuals, and these requirements may change over time. You must comply with any modified insurance requirement that we specify. You must obtain the required insurance coverages not later than the date you acquire the approved location for your Store.

As of the date of this Disclosure Document, you must maintain the following insurance coverages, at a minimum:

- (1) public general liability insurance, including products liability coverage, in the minimum amount of \$2,000,000 combined single limit,
- (2) fire and extended coverage insurance on the premises of your Store with full replacement coverage,
- (3) fire-legal liability coverage in an amount equal to the value of the franchised location,
- (4) business interruption insurance in amounts sufficient to cover 12 months of continuing fees payable to us, 12 months of rent, 12 months of insurance premiums and other fixed expenses,
- (5) worker's compensation and unemployment insurance and all other insurance required by law, and
- (6) any other insurance that may be required by the lease or mortgage for your premises or that we may require in the future.

We may require you to buy insurance coverage for other risks or to increase the amount of coverage of certain risks. We may also require different or additional insurance during the term of your Franchise Agreement. You must purchase your insurance from an insurance provider with an A.M. Best rating of "A" or higher. We reserve the right to designate the specific insurance company or broker that

you must use You must provide us with a certificate of insurance showing that you have obtained the required insurance before your Store opens You must also provide us with updated certificates of insurance prior to expiration of each required policy

Each insurance policy must

(1) name us and our respective officers, directors, partners, and employees as additional named insureds and contain a waiver of all subrogation rights against us,

(2) provide at least the types and minimum amounts of coverage specified in the Franchise Agreement or otherwise in the Manuals, and

(3) provide for 30 days' prior written notice to us of any material modification, cancellation, or expiration of any policy

Our insurance requirements will not limit your liability under the Franchise Agreement You must pay all amounts owed to us or our affiliates, regardless of the limits of your insurance policies If you fail or refuse to obtain the required insurance coverages, we may obtain insurance on your behalf and you must reimburse us for the premium costs

We strongly advise you to consult with an insurance professional, to determine the sufficiency of our minimum coverages for your Store

We estimate that your purchases from approved suppliers, or that must conform to our specifications, will represent approximately 65% of your total purchases in establishing the Store, and approximately 80% to 85% of your total purchases in the continuing operation of the Store

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Article in Franchise Agreement	Disclosure Document Item
a Site selection and acquisition/lease	Article 2	Items 8 and 11
b Pre-opening purchases/leases	Articles 6, 7 and 8	Items 5, 6, 7, 8 and 11
c Site development and other pre-opening requirements	Article 2	Items 8 and 11
d Initial and ongoing training	Article 6	Items 6, 7 and 11
e Opening	Articles 2 and 6	Item 11
f Fees	Articles 3, 4, 6, 7, 8, 11, 14 and 18	Items 5, 6, 7 and 11
g Compliance with standards and policies/operating manual	Articles 2, 3, 6, 8, 9, 10, 11 and 12	Items 6, 8, 11 and 14

	Obligation	Article in Franchise Agreement	Disclosure Document Item
h	Trademarks and proprietary information	Articles 9 and 10 and Attachment D	Items 13 and 14
i	Restrictions on products/services offered	Article 7	Item 16
j	Warranty and customer service requirements	Article 7	Not applicable
k	Territorial development and sales quotas	Not applicable	Item 12
l	Ongoing product/service purchases	Article 7	Items 6 and 8
m	Maintenance, appearance and remodeling requirements	Articles 2, 7 and 14	Items 6 and 11
n	Insurance	Article 12	Items 6, 7 and 8
o	Advertising	Article 8	Items 6, 7, 8 and 11
p	Indemnification	Article 15	Item 6
q	Owner's participation/management/staffing	Articles 6, 14, 15 and 16	Items 1, 11 and 15
r	Records and reports	Articles 4, 7 and 11	Item 6
s	Inspections and audits	Articles 2, 7 and 11	Items 6, 8 and 11
t	Transfer	Article 14	Items 6 and 17
u	Renewal	Article 3	Items 6 and 17
v	Post-termination obligations	Article 18	Items 6 and 17
w	Non-competition covenants	Article 10 and Attachment D	Item 17
x	Dispute resolution	Article 19	Items 6 and 17
y	Liquidated damages	Article 18	Item 6

ITEM 10 FINANCING

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

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

Except as listed below, Loving Cup Franchise Company LLC is not required to provide you with any assistance.

Pre-Opening Obligations

Before the opening of a Store we will provide the following assistance and services

1 Our written site selection guidelines and the site selection assistance we deem advisable (Franchise Agreement, Section 5 1) Once we have accepted the location for your Store, we will determine the boundaries of the Designated Territory, if applicable

2 One on-site evaluation, if we determine that an on-site evaluation is necessary (Franchise Agreement, Section 5 2) We will not conduct an on-site evaluation until you have provided us with all of the information we require regarding the proposed site

3 Standard specifications and layouts for building and furnishing the Store, which you will use to have site plans and build-out plans prepared, at your expense (Franchise Agreement, Section 5 3) If you purchase a conversion franchise, your existing location must be built-out according to our standard specifications We reserve the right to require you to use the architect/designer we designate and to inspect your Store during its construction

4 On loan, our Manual, which we may revise during the term of your Franchise Agreement (Franchise Agreement, Sections 5 4 and 10 1)

5 A list of our approved suppliers, which includes the suppliers of any fixtures, equipment, signs, supplies, goods and inventory you must purchase, and which may include us or our affiliates The list of approved suppliers is subject to change during the term of your Franchise Agreement (Franchise Agreement, Sections 5 9 and 7 4)

6 An initial training program at our headquarters and/or at one of our Store Affiliate's Stores for up to two people, the cost of which is included in the initial franchise fee (Franchise Agreement, Sections 5 10 and 6 4)

7 One of our representatives to provide three to five days of opening assistance and training around the opening of your Store We will provide this opening assistance and training at our expense, but if you request additional days of on-site assistance you must reimburse our costs for the additional days, including our per diem fee for our representative and the additional out-of-pocket expenses our representative incurs (Franchise Agreement, Section 6 5) If you are opening your second or later Store, we reserve the right to reduce the duration of our representative's visit or to not provide opening assistance

Continuing Obligations

During the operation of a Store, we will provide the following assistance and services

1 As we reasonably determine necessary, visits to and evaluations of the Store and the products and services provided to make sure that our high standards of quality, appearance and service of the System are maintained (Franchise Agreement, Sections 5 5 and 7 5 6)

2 Advice and written materials (including updates to the Manual) concerning techniques of managing and operating the Store, including new developments and improvements in equipment, food products, recipes, packaging and preparation (Franchise Agreement, Section 5 7)

3 Training programs and seminars and other related activities regarding the operation of the Store as we may conduct for you or Store personnel generally, which may be mandatory for you, your General Manager, and other Store personnel (Franchise Agreement, Section 6 4 2)

4 At your request or if we determine it is necessary, additional on-site training at your Store. You must pay our per diem fee for each trainer providing the training and reimburse each trainer's expenses (Franchise Agreement, Section 6 4 4)

5 Administration of the Brand Development Fund (Franchise Agreement, Section 8 3)

6 Indemnification against and reimbursement for all damages for which you are held liable in any proceeding arising out of your use of any of the Marks (including settlement amounts), if you and your Principals have fully complied with the terms of the Franchise Agreement (Franchise Agreement, Section 9 4)

7 Designate the maximum prices you may charge, as permitted by applicable law (Franchise Agreement, Section 7 13) Our designation of the maximum pricing is not a guarantee that you will achieve a specific level of sales or profitability. We expect all of your prices to be similar to or higher than the prices charged by competing businesses offering similar products.

Site Selection You must assume all costs, liabilities, expenses and responsibility for locating, obtaining and developing a site for the Store and for constructing and equipping the Store at the accepted site. You will select the site for the Store subject to our acceptance and using our site selection criteria. Before you lease or purchase the site for the Store, you must locate a site that satisfies our site selection guidelines. If we deem it necessary we will conduct one on-site evaluation, but before we conduct the evaluation you must submit to us in the form we specify a description of the site, including evidence that the site satisfies our site selection guidelines, together with other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site. We reserve the right to approve deviations from our site selection standards based on the individual factors and components of a particular site.

You must have located and submitted to us, for our review, all information we require regarding the site you propose for your Store no later than 90 days after you have signed the Franchise Agreement. We will have up to 30 days after we receive all required information and materials from you to accept or decline the proposed site as the location for your Loving Cup Store. We will use our best efforts to notify you within seven days whether the proposed site is accepted or not. If we do not provide our specific acceptance of a proposed site, the site is deemed not accepted. We do not warrant or guarantee that your Store will be successful at any site that we accept. Our acceptance only means that the site meets our minimum requirements for a Store, subject to any deviation from our standards as we may permit.

We will provide you with our current written site selection guidelines and any other site selection counseling and assistance we think is advisable. Our criteria for site selection include location of the site and its setting (free-standing building, shopping center, shopping mall, downtown location, etc), availability of parking, visibility from main roads, availability, size and placement of signage, co-tenants in the shopping center or immediate area, accessibility to the site, condition of the premises and how much build-out or construction it will need, proximity to competitive businesses, and availability of utilities. We will use these and other factors in determining the suitability of your proposed site for a Loving Cup Store. Once the location for your Store has been determined, your Store may not be relocated without our prior written consent. You must provide us with a copy of the signed lease for your Store location.

If you are not able to locate a suitable for your Store within 90 days after you sign the Franchise Agreement, we may provide you with an extension of this timeframe or we may terminate your Franchise Agreement without providing you with a refund. If you are purchasing a conversion franchise, we will be deemed to have accepted your existing location for a Loving Cup Store if we present the Franchise Agreement to you for signature.

Opening We estimate that the time from when the Franchise Agreement is signed to the opening of the Store will be approximately six to seven months. Your total timeframe may be shorter or longer depending on the time necessary to obtain an accepted site, to obtain financing, to obtain the permits and licenses for the construction and operation of the Store, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the Store, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Store, including purchasing inventory and supplies. You must open the Store and begin business within four months after we have accepted the location for your Store. If you are purchasing a conversion franchise, you must open the Store and begin business within four months after you sign the Franchise Agreement, since your existing location will be deemed to have been accepted by us before you sign the Franchise Agreement as described above.

If you are not able to open your Store within this period, we may provide you with an extension of this timeframe or we may terminate your Franchise Agreement without providing you with a refund. You may not open your Store for business until we have approved you to do so.

Grand Opening Marketing You must conduct a marketing campaign announcing the grand opening of your Store, and you must spend between \$3,000 and \$5,000 for this campaign. Your grand opening marketing campaign must be conducted in the initial 60 days of operation. We may designate a different time period for you to conduct the grand opening marketing. Your grand opening marketing campaign must include give-aways of food samples and other promotions, as we require, and we must approve of your grand opening marketing campaign before it is conducted. We reserve the right to collect \$5,000 from you and conduct your grand opening marketing campaign on your behalf.

Brand Development Fund We will establish a Brand Development Fund ("Fund") to promote the System, Loving Cup Stores and the products and services offered by Loving Cup Stores (Franchise Agreement, Section 8.3). When the Fund is established, you must pay a non-refundable Brand Development Fee to the Fund in an amount equal to up to 2% of Gross Sales. The Brand Development Fee is initially set at 1% of Gross Sales and we may increase the Brand Development Fee, up to the maximum amount of 2% of Gross Sales, with 60 days prior written notice to you. Since the Fund was not established in the fiscal year ending December 31, 2016~~2017~~, no money was spent by the Fund.

The Fund will be used for national and regional advertising, marketing, publicity and promotional activity relating to our business. We will determine, in our fully unrestricted discretion, the manner in which the Fund will be spent. Some portion of the Fund may be used for creative concept production, marketing surveys, test marketing and related purposes. As stated in Item 8, we may contribute Allowances we receive from approved suppliers to the Fund. If we choose to do this, it does not reduce or eliminate your requirement to pay the Brand Development Fee.

We have the right to direct all advertising activities with sole discretion over creative concepts, materials and media used, as well as their placement and allocation. We also have the right to determine, in our sole discretion, the composition of all geographic and market areas for the implementation of these advertising and promotional activities. The Fund may be used to meet any and all costs of maintaining, administering, directing and preparing national and/or regional advertising materials, programs and public

relations activities (including, without limitation, the cost of preparing and conducting television, radio, magazine, billboard, newspaper, direct mail and other media programs and activities, for conducting marketing surveys, test marketing, employing advertising agencies, and providing promotional brochures, coupons and other marketing materials to all franchisees of the System) We may also use a portion of the money in the Fund to subsidize the cost of presenting refresher training programs and an annual franchisee meeting The Fund is intended to maximize general public recognition in all media of the Proprietary Marks and patronage of Loving Cup Stores and we have no obligation to ensure that expenditures of the Fund in or affecting any geographic area are proportionate or equivalent to payments of the Brand Development Fee by franchisees operating in that geographic area, or that any Store will benefit directly or in proportion to the Brand Development Fees paid for the development of advertising and marketing materials or the placement of advertising No amount of the Fund will be spent for advertising that is principally a solicitation for the sale of franchises

We have the right to reimburse ourselves out of the Fund for the total costs (including indirect costs such as salaries for our employees who devote time and effort to Fund related activities and overhead expenses) of developing, producing and distributing any advertising materials and collecting the Brand Development Fee (including attorneys', auditors' and accountants' fees and other expenses incurred in connection with collecting any Brand Development Fee)

Stores owned by us or our affiliates may, but are not required to, contribute to the Fund on the same basis as you Funds from the Brand Development Fees paid will be kept in a non-interest bearing account separate from our other funds These funds will not be used to defray any of our general operating expenses, except as described in the paragraph above Any sums paid to the Fund that are not spent in the year they are collected will carry over to the following year We will prepare, and furnish to you upon written request, an annual statement of funds collected and costs incurred We are not required to have any Fund statement audited, but if we choose to have the Fund audited it will be at the Fund's expense

Although the Fund is intended to be perpetual, we may terminate the Fund at any time The Fund will not be terminated until all monies in the Fund have been spent for advertising or promotional purposes or returned to contributors on a pro rata basis If we terminate the Fund, we have the right to reinstate it at any time and you must again contribute to the Fund Any reinstated Fund will be maintained as described above

Local Marketing You must conduct local marketing in your Designated Territory and you must spend at least 1% of Gross Sales each month on local marketing for your Store once your grand opening marketing campaign is completed Within 30 days of our request, you must provide us with proof of your local marketing expenditures, including verification copies of the advertisements

We must approve all marketing materials before you use them You must not advertise or use our Marks in any fashion on the ~~Internet, World Wide Web~~ internet, world wide web or via other means of advertising through telecommunication, including social media, without our express written consent

Any marketing that you propose to use that has either not been prepared by us or has not been approved by us in the immediately preceding 12 month period must be submitted to us for our review not later than 10 days before you intend to use it Unless we provide our specific disapproval of the proposed materials, the materials are deemed approved Any materials you submit to us for our review will become our property, and there will be no restriction on our use or distribution of these materials

We reserve the right to require you to include certain language in your local marketing, such as "Franchises Available" and our website address and phone number

Cooperative Marketing We may designate any geographic area in which two or more Stores are located as a region for purposes of establishing a marketing Cooperative, or we may approve of the formation of a Cooperative by our franchisees. The members of the Cooperative for any area will consist of all Stores, including those operated by our franchisees and those operated by us or our affiliates. We have the right to dissolve, merge or change the structure of the Cooperatives. Each Cooperative will be organized for the exclusive purposes of administering marketing programs and developing promotional materials for use by the members in local marketing, subject to our approval as described above. If a Cooperative has been established for a geographic area where your Store is located when the Franchise Agreement is signed, or if any Cooperative is established during the term of the Franchise Agreement, you must become a member of the Cooperative. If the Cooperative will operate according to written documents, we must approve of these documents, and a copy of the Cooperative documents applicable to the geographic area in which your Store will be located will be provided to you if you request it. You will not have to participate in more than one Cooperative.

The payments you make to a Cooperative may be applied by you toward satisfaction of your local marketing requirement. If the amount you contribute to a Cooperative is less than your local marketing requirement, you must still spend the difference locally. By vote of the members, the members will determine the amount that each member must contribute to the Cooperative. All Stores in the Cooperative, including those owned by us and/or our affiliates, will have the same voting rights as franchisees, but no one Store (or commonly controlled group of Stores) will have more than 25% of the total vote.

All contributions to the Cooperative will be maintained and administered in accordance with the documents governing the Cooperative, if any. The Cooperative will be operated solely as a conduit for the collection and expenditure of the Cooperative fees for the purposes outlined above. No advertising or promotional plans or materials may be used by the Cooperative or furnished to its members without first obtaining our approval. Currently there are no Cooperatives in the System. The Cooperative is not required to prepare an annual financial statement.

Website / Intranet We alone may establish, maintain, modify or discontinue all internet, ~~worldwide~~world wide web and electronic commerce activities pertaining to the System. We have established one or more websites accessible through one or more uniform resource locators ("URLs") and we may design and provide for the benefit of your Store a "click through" subpage at our website for the promotion of your Store. If we establish one or more websites or other modes of electronic commerce and if we provide a "click through" subpage at the website(s) for the promotion of your Store, you must routinely provide us with updated copy, photographs and news stories about your Store suitable for posting on your "click through" subpage. We reserve the right to specify the content, frequency and procedure you must follow for updating your "click through" subpage.

Any websites or other modes of electronic commerce that we establish or maintain may – in addition to advertising and promoting the products, programs or services available at Loving Cup Stores – also be devoted in part to offering Loving Cup franchises for sale and be used by us to exploit the electronic commerce rights which we alone reserve.

In addition to these activities, we may also establish an intranet through which downloads of operations and marketing materials, exchanges of franchisee ~~e-mail~~email, System discussion forums and System-wide communications (among other activities) can be done. You may not maintain your own website, otherwise maintain a presence or advertise on the internet or any other mode of electronic commerce in connection with your Store, establish a link to any website we establish at or from any other website or page, or at any time establish any other website, electronic commerce presence or URL which

in whole or in part incorporates the “Loving Cup” name or any names confusingly similar to the Proprietary Marks

You are not permitted to promote your Store or use any of the Proprietary Marks in any manner on any social or networking websites, such as Facebook, Foursquare, Instagram, LinkedIn or Twitter, without our prior written consent. We will control all social media initiatives. You must comply with our System standards regarding the use of social media in your Store’s operation, including prohibitions on your and the Store’s employees posting or blogging comments about the Store or the System, other than on a website established or authorized by us (“social media” includes personal blogs, common social networks like Facebook, Foursquare, Instagram and MySpace, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). We will provide access to branded social media pages/handles/assets, and you must update these regularly. We reserve the right to conduct collective/national campaigns via local social media on your behalf.

We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any website we establish and maintain, including any and all material you may furnish to us for your “click through” subpage.

Advisory Council We may, in our discretion, form an advisory council to work with us to improve the System, the products offered by Loving Cup Stores, advertising conducted by the Fund, and any other matters that we deem appropriate. If an advisory council is formed, it will act solely in an advisory capacity, and will not have decision making authority. We will have the right to form, change, merge or dissolve any advisory council. We may develop by-laws for any advisory council.

If formed, an advisory council will be comprised of our representatives and franchisee representatives. Franchisee representatives may be chosen by us or may be selected by other franchisees in the System. All selected franchisees must participate in council-related activities and meetings, and to pay any dues assessed for the administration of that program. We will also pay dues for our representatives. If you participate on an advisory council, you will pay any expenses you incur related to your participation, such as travel and living expenses to attend council meetings.

Training No later than 30 days before the date the Store begins operation, up to two trainees (including you and your General Manager) must have completed, to our satisfaction, our mandatory initial training program. We will conduct this training at one of our Store Affiliate’s Stores or at another location we designate. Our initial training program lasts for approximately one week. Initial training programs will be offered at various times during the year depending on the number of new franchisees entering the System, replacement general managers and other personnel needing training, the number of new Stores being opened and the timing of the scheduled openings of Stores.

We will provide instructors and training materials for two trainees (the cost of which is included in the initial franchise fee). You may also have additional personnel trained by us for the Store, at your expense, including payment of our then-current training fee for each additional trainee. We will determine whether your trainees have satisfactorily completed initial training. If you and/or the General Manager do not satisfactorily complete the initial training program or if we determine that these persons cannot satisfactorily complete the training program, you must designate a replacement to satisfactorily complete the training before you will be permitted to open your Store. If the replacement General Manager cannot complete the initial training program to our satisfaction, we have the right to terminate your Franchise Agreement without providing a refund of the initial franchise fee.

Any manager subsequently designated by you must also receive and complete the initial training program to our satisfaction, even if this requires sending that manager to our headquarters training program, at your expense. We reserve the right to charge a reasonable fee for the initial training we provide to a replacement or successor employee if we have not approved you to provide the training. You must also pay for all expenses you, your managers and other personnel incur for any training program, including costs of travel, lodging, meals and applicable wages. We may approve you to train replacement managers under our training program before permitting you to train your entire staff for a third or later Store opening. You may not train any personnel until we have approved you as a trainer.

For the opening of the Store, we will provide you with one of our representatives. The trained representative will provide on-site pre-opening and opening training, supervision, and assistance to you for three to five days around your Store opening. If you request that our representative provide additional days of on-site assistance, you must reimburse the expenses our representative incurs while providing the additional assistance, including our per diem fee and any additional travel, lodging and meals expenses. If you are opening your second (or later) Store, we reserve the right to reduce the duration of our representative's visit or to not provide opening assistance.

If, during the term of your Franchise Agreement, you request that we provide additional training or assistance on-site at your Store or if we determine that additional training or assistance is necessary, you must pay our then-current per diem fee for each trainer we provide, and you must reimburse us for any expenses our trainers incur, such as costs of travel, lodging, and meals.

The instructional materials used in the initial training include our Manual, marketing and promotion materials, materials related to the operation of the point of sale system, and any other materials that we believe will be beneficial to our franchisees in the training process.

The training schedule and activities of the initial training program are described below.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Orientation & Instruction- Company History, Values and Culture	3	0	San Francisco, CA
Sanitation and Food Safety	1	1	San Francisco, CA
Products, Preparation Methods, Recipes, Proportions, Nutrition Facts	0	8	San Francisco, CA
Inventory, Ordering, Receiving and Stocking	0	3	San Francisco, CA
Back of House Organization and Machine Maintenance	0	8	San Francisco, CA

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Counter Service, Taking Orders, Customer Service, Upselling, Product Presentation and Quality Control	0	8	San Francisco, CA
Management Procedures, Cash Management, Banking, Staff Schedule and Shift Management, Employee Relations, Customer Relations	8	0	San Francisco, CA
Employee Recruiting and Training	4	0	San Francisco, CA
Marketing, including Special Events and Catering	2	2	San Francisco, CA
Training Progress Assessment and Review	3	8	San Francisco, CA

The instructors primarily conducting our initial training program include Liz Fiedler, Dez Fiedler and Carlos Batz. Each of our instructors has at least 10 years of experience relevant to the subjects they are teaching and two to nine years of experience with us and/or our Store Affiliate.

The entire training program is subject to change due to updates in materials, methods, manuals and personnel without notice to you. The subjects and time periods allocated to the subjects actually taught to a specific franchisee and its personnel may vary based on the individual needs and/or experience of those persons being trained. For example, a conversion franchisee may not need as much training on running a frozen dessert business.

We may choose to hold refresher training courses, and we may designate that attendance at refresher training is mandatory for you, your General Manager and/or other Store personnel. We do not anticipate charging a fee for refresher training, but you will pay for all of the expenses incurred by your trainees, including travel, lodging, meals and wages. We anticipate that refresher or additional training will not last longer than five days in any year.

We may also choose to hold an annual meeting of our franchisees to provide additional training, introduce new products or changes to the System, or for other reasons. We may designate that attendance at an annual meeting is mandatory for you, your General Manager and/or other Store personnel. We do not anticipate charging a fee to attend the meeting, but you will pay for all of the expenses incurred by your attendees at the meeting, including travel, lodging, meals and wages. We will designate the location of any franchisee meeting, such as a resort hotel, but we will not designate an unreasonably expensive site. We anticipate that attendance at a franchisee meeting will not last longer than three days in any calendar year.

In addition to our initial training program, you, your managers and any other personnel we designate must be ServSafe certified or other similar certifications. The cost of these certifications are not

included in the initial franchise fee and we do not provide certification. You may need to receive periodic additional training and/or certification.

Confidential Operations Manual The Table of Contents for our Manual is attached to this Disclosure Document as Exhibit E. Our Manual contains approximately 100 pages.

Computer and Point of Sale Systems You must purchase or lease and use certain point of sale systems, computer hardware and software that meet our specifications and that are capable of electronically interfacing with our computer system. You must purchase a point of sale system with a back office computer system. The estimated cost of these systems is \$1,000. The point of sale and computer systems will provide order processing, business reports, credit card processing, and other functions.

The computer system is designed to enable us to have immediate access to the information monitored by the system, and there is no contractual limitation on our access or use of the information we obtain. You must install and maintain equipment and a high-speed internet connection in accordance with our specifications to permit us to access the computer system (or other computer hardware and software) either electronically or at the Store premises. This will permit us to electronically inspect and monitor information concerning your Store's Gross Sales and any other information that may be contained or stored in the equipment and software. You must make sure that we have independent access at the times and in the manner we specify, at your cost. We may download Gross Sales and other information from your computer system, and there are no contractual limitations on our access to your computer system or the information we retrieve from your computer system.

The designated point of sale system and the approved supplier for the point of sale system, if we designate an approved supplier, will be included in the Manual. We currently require our franchisees to use Square for their point of sale/transaction functions. We do not require you to have a maintenance contract for your point of sale system, but you must participate in the Square loyalty and marketing programs, which cost approximately \$70 per month.

You must obtain any upgrades and/or updates to the software used with the point of sale system, at your expense. In addition, we may require you to update and/or upgrade all or a portion of your point of sale and/or computer system during the term of your Franchise Agreement, at your expense. The Franchise Agreement does not limit our ability to require you to update and/or upgrade your point of sale and/or computer system or the cost of any update and/or upgrade. Neither we nor any affiliate of ours is responsible for providing you with any upgrades, updates or maintenance for your point of sale or computer system.

You must obtain and maintain high speed internet access or other means of electronic communication, as specified by us. It will be a material default under the Franchise Agreement if you do not maintain the equipment, lines and communication methods in operation and accessible to us at all times throughout the term of the Franchise Agreement.

ITEM 12 TERRITORY

Your Franchise Agreement will specify the site that will be the Accepted Location for your Store. Your Franchise Agreement may also specify a Designated Territory. Your Designated Territory will include a minimum population of 30,000 people and will be described in terms of street, town or other similar boundaries. Your Designated Territory may be depicted on a map attached as an exhibit to your Franchise Agreement. If your Accepted Location is a Non-Traditional Site (as described below), you will

not receive a Designated Territory. In addition, because we reserve the right to establish Stores at Non-Traditional Sites (which may be within your Designated Territory), your Designated Territory is not exclusive to you.

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

During the term of the Franchise Agreement, we will not establish or operate, nor license any other person to establish or operate, a Store in the Designated Territory, except as may be permitted under the Franchise Agreement and those exceptions are described below. There are no circumstances under which the Designated Territory may be altered before your Franchise Agreement expires or is terminated. Your territorial protection does not depend on your achieving a certain sales volume, market penetration, or other factor, other than compliance with the Franchise Agreement.

As part of the process of renewing your Franchise Agreement, we reserve the right to re-evaluate your then-existing Designated Territory according to certain demographics, including population. Since your Designated Territory includes a certain minimum population, your Designated Territory under the renewal Franchise Agreement will be modified to accommodate shifts and changes in population. Our intent is to make the target demographics of your renewal Designated Territory similar to the target demographics of your original Designated Territory. A re-evaluation of your Designated Territory may result in your renewal Designated Territory being smaller or larger than your original Designated Territory. We cannot guarantee that you will achieve any particular level of success with the renewal Designated Territory or that your results will be the same as or similar to your results from operating in the original Designated Territory.

If, during the term of the Franchise Agreement, you wish to relocate your Store, or if the Store is damaged or destroyed and cannot be repaired within 60 days, you must submit to us in writing the materials we require to consider your request, including information concerning the proposed new location for the Store. You must also meet certain other requirements, such as being in compliance with the Franchise Agreement, the location meets our then-current requirements for a Loving Cup Store and is located within your Designated Territory, and you must sign our then-current form of Franchise Agreement. If we permit you to relocate, you will not pay a new initial franchise fee when you sign the new Franchise Agreement, but you must pay our relocation fee.

Nothing in the Franchise Agreement will prohibit us from (1) operating and/or franchising others to operate stores identified in whole or in part by the Proprietary Marks and/or utilizing the System in the Designated Territory that are located in gas stations or convenience stores, transportation facilities, including airports, train stations, subways and rail and bus stations, military bases and government offices, sports facilities, including stadiums and arenas, amusement parks, zoos and convention centers, car and truck rest stops and travel centers, educational facilities, recreational theme parks, hospitals, hotels, business or industrial foodservice venues, venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider, Indian reservations, casinos, or any similar captive market location not reasonably available to you (a 'Non-Traditional Site'), (2) awarding national, regional or local licenses to third parties to sell products under the Proprietary Marks in foodservice facilities primarily identified by the third party's trademark, (3) merchandising and distributing products identified by the Proprietary Marks in the Designated Territory through any method or channel of distribution other than through the operation of a store, including distribution of products (including any proprietary products) through grocery stores, club stores and similar stores, (4) selling and distributing products identified by the Proprietary Marks in the Designated Territory to stores other than stores identified by the Proprietary Marks, regardless of whether the stores are licensed to use the Proprietary Marks in connection with their retail sales or not, (5) selling products and services through other channels.

of distribution, including the internet, wholesale, mail order and catalog, (6) developing and/or owning other franchise systems for the same or similar products and services using trade names and trademarks other than the Proprietary Marks, and (7) purchasing, being purchased by, merging or combining with businesses that we deem to offer direct competition to Loving Cup Stores. We are not required to pay you any consideration if we exercise any right specified above in the Designated Territory.

If any Non-Traditional Site (as described above) is located within the physical boundaries of your Designated Territory, then the premises of this Non-Traditional Site will not be included in your Designated Territory and you will have no rights to this Non-Traditional Site.

We and our affiliates are not prohibited from (1) operating and franchising others to operate, during the term of the Franchise Agreement, Loving Cup Stores at any location outside of the Designated Territory, (2) operating and franchising others to operate, after the Franchise Agreement terminates or expires, Loving Cup Stores at any location, including locations inside the Designated Territory, and (3) operating and franchising others to operate at any location, during or after the term of the Franchise Agreement, any type of store other than a Loving Cup Store.

The restrictions above do not apply to Loving Cup Stores in operation, under lease or construction or other commitment to open in the Designated Territory as of the effective date of the Franchise Agreement.

Except as expressly limited above, we and our affiliates have the right to conduct any business activities, under any name, in any geographic area and at any location, regardless of the proximity to your Store or the economic effect on your Store or your activities under the Franchise Agreement.

You may sell our menu items to customers who live anywhere but who choose to dine at or from your Store. You may not engage in any promotional activities or sell products or services, whether directly or indirectly, through or on the ~~Internet~~internet, the ~~World Wide Web~~world wide web, or any other similar proprietary or common carrier electronic delivery system, through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere, or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere. While you may place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located within your Designated Territory, you will not be deemed to be in violation of the Franchise Agreement if those advertisements, because of the natural circulation of the printed media or reach of television and radio, are viewed by prospective customers outside of your Designated Territory. You may not directly solicit customers outside of your Designated Territory. You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not sell any products to any business or other customer at wholesale.

We and our affiliates may sell products under the Marks within and outside your Designated Territory through any method of distribution other than a Loving Cup Store, including sales through channels of distribution such as the internet, catalog sales, grocery stores, club stores, specialty food stores, telemarketing or other direct marketing sales (together, "alternative distribution channels"). You may not use alternative distribution channels to make sales outside or inside your Designated Territory and you will not receive any compensation for our sales through alternative distribution channels.

We or our affiliates will fulfill all orders placed through the retail portion of our website and you will not be entitled to any portion of the profits received from this, even if the customer's order is generated from or delivered to an address in your Designated Territory.

Neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned Stores which sell our proprietary products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent. We describe earlier in this Item 12 what we may do anywhere and at any time.

ITEM 13

TRADEMARKS

The Franchise Agreement grants you the right to use certain trademarks, trade names, service marks, symbols, emblems, logos and indicia of origin designated by us, including the Marks described in Item 1 and below. These Marks may be used only in the manner we authorize and only for the operation of your Store.

You may not use the Marks as a part of your corporate or other legal name, and you must comply with our instructions in filing and maintaining trade name or fictitious name registrations. You must sign any documents we require to protect the Marks or to maintain their continued validity and enforceability. In addition, you may not directly or indirectly contest the validity of our ownership of or our rights in and to the Marks.

Our Store Affiliate, Loving Cup LLC, has registered or applied for registration of the following principal Marks on the Principal Register with the U.S. Patent and Trademark Office ("USPTO"):

Mark	Application Date	Serial Number	Registration Date	Registration Number
Loving Cup (word mark)	11/19/2014	86/458,685	7/14/2015	4,772,716

We have not registered the logo that is on the cover page of this Franchise Disclosure Document. Therefore, this logo does not have many legal benefits and rights as a federally registered trademark. If our right to use this trademark is challenged, you may have to change to an alternative logo, which may increase your expenses.

There are no currently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, no pending infringement, opposition or cancellation proceedings and no pending litigation involving any of the Marks that may significantly affect the ownership or use of any Mark listed above which may be relevant to their use in this state or in any other state.

There are no agreements currently in effect which limit our right to use or to license others to use the Marks, except for the perpetual trademark license agreement between us and our Store Affiliate, Loving Cup LLC, dated June 19, 2017. Our Store Affiliate intends to file all affidavits and other documents required to maintain its interest in and to the Marks.

We do not know of either superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in the state where the Store will be located. You must immediately notify us of any apparent infringement of the Marks or challenge to your use of any of the Marks or claim by any person of any rights in any of the Marks. You and your Controlling Principals are not permitted to communicate with any person other than us, or any designated affiliate, our counsel and your counsel involving any infringement, challenge or claim. We can take action and have the right to exclusively control any litigation or USPTO or other administrative or agency proceeding caused by any infringement, challenge or claim or otherwise relating to any of the Marks. You must sign any and all

documents, and do what may, in our counsel's opinion, be necessary or advisable to protect our interests in any litigation or USPTO or other administrative or agency proceeding or to otherwise protect and maintain our interests and the interests of any other person or entity (including any affiliate) having an interest in the Marks

We will indemnify you against and reimburse you for all damages for which you are held liable for your use of any of the Marks, provided that the conduct of you and your Controlling Principals in the proceeding and use of the Marks is in full compliance with the terms of the Franchise Agreement

Except as provided above, we are not obligated by the Franchise Agreement to protect any rights granted to you to use the Marks or to protect you against claims of infringement or unfair competition with respect to them. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy we intend to defend the Marks vigorously

If it becomes advisable at any time in our sole discretion, we may require you, at your expense, to discontinue or modify your use of any of the Marks or to use one or more additional or substitute trade names, service marks, trademarks, symbols, logos, emblems and indicia of origin if we determine that an addition or substitution will benefit the System. You must comply with our directions within a reasonable period of time after receiving notice. We will not be obligated to reimburse you for any loss of revenue attributable to any modified or discontinued Marks or for any expenditures you make to promote a modified or substitute trademark or service mark

The license to use the Marks granted in the Franchise Agreement is non-exclusive to you. We have and retain certain rights in the Marks including the following

- 1 To grant other licenses for the use of the Marks in addition to those licenses already granted or to be granted to franchisees,
- 2 To develop and establish other systems using the Marks or other names or marks, and to grant licenses or franchises in those systems without providing any rights to you, and
- 3 To engage, directly or indirectly, at wholesale, retail or otherwise, in (a) the production, distribution, license and sale of products and services and (b) the use of the Marks and any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics we may develop for that purpose

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights We do not have an ownership interest in any patents or copyrights that are material to the franchise

Confidential Operations Manual You must operate the Store in accordance with the standards and procedures specified in the Manual. One copy of the Manual will be loaned to you by us for the term of the Franchise Agreement. We may, instead of providing you with a hard copy of the Manual, make our Manual available electronically via a password protected intranet

You must treat the Manual and any other manuals we create or approve for use in your operation of the Store, and the information contained in them, as confidential. You must also use all reasonable efforts to maintain this information as secret and confidential and you must not duplicate, copy, record or

otherwise reproduce these materials, in whole or in part, or make them available to any unauthorized person. The Manual remains our sole property and must be kept in a secure place on the Store premises.

We may revise the contents of the Manual and you must comply with each new or changed standard. You must also make sure that the Manual is kept current at all times. If there is a dispute regarding the contents of the Manual, the terms of the master copy maintained by us at our home office will be controlling.

Confidential Information We claim proprietary rights in certain of our recipes which are included in the Manual and which are our trade secrets. You and each of your Controlling Principals are prohibited, during and after the term of your Agreement, from communicating, or using for the benefit of any other person or entity, and, after the term of your Agreement, from using for your or their own benefit, any confidential information, knowledge or know-how concerning the methods of operation of the Store that may be communicated to you or any of your Controlling Principals or that you may learn about, including these trade secrets. You and each of your Controlling Principals may divulge this confidential information only to your employees who must have access to it to operate the Store. Neither you nor your Controlling Principals are permitted at any time, without first obtaining our written consent, to copy, record or otherwise reproduce the materials or information nor make them available to any unauthorized person. Any and all information, knowledge, know-how and techniques related to the System that we communicate to you, including the Manual, recipes, plans and specifications, marketing information and strategies and site evaluation, selection guidelines and techniques, are considered confidential.

If we ask, you must have your General Manager and any of your personnel who have received or will have access to confidential information sign confidentiality covenants similar to the ones described above. Your Principals also must sign these covenants. We will be a third party beneficiary of these covenants with the independent right to enforce them.

If you, your Controlling Principals, General Manager or employees develop any new concept, process or improvement in the operation or promotion of the Store, you must promptly notify us and give us all necessary information, free of charge. You, your Controlling Principals, General Managers and employees must acknowledge that any of these concepts, processes or improvements will become our property and we may give the information to other franchisees.

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

When you sign your agreement, you must designate and retain at all times an individual to serve as the "General Manager." If you are an individual, we recommend that you be the General Manager. We expect that you will be actively involved in the daily operation of your Store, unless we permit you to not be actively involved. If you are not actively involved in the daily operation of your Store, then we may communicate with and rely on the decisions made by your General Manager and you must still make sure that your Store is being operated according to the terms of your Franchise Agreement and the Manual. You must also retain other personnel as are needed to operate and manage the Store. At all times the Store must be under the management of a General Manager who has satisfactorily completed our training program and who has been approved by us. We do not require that your General Manager have an ownership interest in you.

The General Manager must satisfy our educational and business criteria as provided to you in the Manual or other written instructions, must be individually acceptable to us, and must be approved by us to

act as a General Manager. The General Manager must be responsible for the supervision and management of the Store, and must devote full time and best efforts to this activity. The General Manager also must satisfy the applicable training requirements in the Franchise Agreement. If the General Manager cannot serve in the position or does not meet the requirements, he or she must be replaced within 30 days after the General Manager stops serving or no longer meets the requirements.

If you employ any individual as General Manager or in a managerial position who is at the time employed in a managerial position by us or any of our affiliates, or by another of our franchisees, you must pay the former employer for the reasonable costs and expenses the employer incurred for the training of the employee, such as our training fee.

You must also obtain covenants not to compete, including covenants applicable on the termination of the person's relationship with you, from your General Manager and any of your other personnel who have received or will have access to our training before employment, and any holder of a beneficial interest in you. You must have all of your management personnel sign covenants that they will maintain the confidentiality of information they receive or have access to based on their relationship with you. Our form of Confidentiality and Non-Competition Agreement is included as Attachment D to the Franchise Agreement. We reserve the right, in our discretion, to decrease the period of time or geographic scope of the non-competition covenants contained in the attachments or eliminate the non-competition covenants altogether for any party that must sign an agreement as described in this paragraph. We will be a third party beneficiary to each of these agreements with the independent right to enforce each agreement's terms.

We have identified certain persons under the Franchise Agreement that we refer to in this Disclosure Document as your Principals. Your Principals include your spouse, if you are a married individual, your Principals also include those of your business entity's officers and directors (including the officers and directors of your general partner, if applicable) whom we designate as your Principals and all holders of an ownership interest in you and in any entity that directly or indirectly controls you, and any other person or entity controlling, controlled by, or under common control with you.

If we designate certain of your Principals as Controlling Principals, they must sign the Franchise Agreement and agree to be individually bound by certain obligations under the Franchise Agreement, including confidentiality and non-competition covenants and they must personally guarantee your performance under the Franchise Agreement. We typically designate your principal equity owners and executive officers, as well as any other affiliated entities that operate Stores, as Controlling Principals.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must sell or offer for sale all menu items, Proprietary Products, other food products, merchandise, and other products and services we require, in the manner and style we require, including dine-in and carry-out, as expressly authorized by us in writing. You must sell and offer for sale only the menu items, products and services that we have expressly approved in writing. You must not deviate from our standards and specifications without first obtaining our written consent. You must discontinue selling and offering for sale any menu items, products or services that we may disapprove in writing at any time. We have the right to change the types of menu items, products and services offered by you at the Store at any time, and there are no limits on our right to make those changes.

You must maintain in sufficient supply and use and sell only the food and beverage items, ingredients, Proprietary Products, merchandise, other products, materials, supplies, and paper goods that conform to our standards and specifications. You must prepare all menu items according to our recipes.

and procedures for preparation contained in the Manual or other written instructions, including the measurements of ingredients. You must not deviate from our standards and specifications by the use or offer of nonconforming items or differing amounts of any items, without first obtaining our written consent.

We reserve the right to vary the menu items offered at certain Loving Cup Stores based on regional or local tastes or ingredients. If we allow a Loving Cup Store to modify its menu to accommodate regional or local tastes or ingredients, we are not required to grant to you a similar variance or modification.

You must keep the Store very clean and maintain it in good repair and condition. You must make any additions, alterations, repairs and replacements, including repainting or replacement of obsolete signs, furnishings, equipment, and decor as we may reasonably direct. You must not make any changes to the premises without obtaining our written consent before you make the changes. You must obtain and pay for any new or additional equipment, including point of sale, computer hardware and software, fixtures, supplies and other products and materials that you must have to offer and sell new menu items from the Store.

We reserve the right to determine the maximum prices for the goods, products and services offered from your Store, as permitted by applicable law. You must comply with the prices required by us, but we make no guarantees or warranties that offering the products or merchandise at the required price will enhance your sales or profits.

We do not impose any other restrictions in the Franchise Agreement or otherwise, as to the goods or services that you may offer or sell or as to the customers to whom you may offer or sell, except as described in Item 12. You may not directly solicit customers outside of your Designated Territory.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a Length of the franchise term	Section 3.1	Seven years
b Renewal or extension of the term	Section 3.2	Up to two renewal terms of five years each

Provision	Section in Franchise Agreement	Summary
c Requirements for franchisee to renew or extend	Section 3 2	You must provide us with notice that you wish to renew, be in compliance with the terms of your Franchise Agreement, be current in all payments required by the Franchise Agreement, remodel and/or refurbish your Store if we require, sign renewal Franchise Agreement, sign general release, and pay renewal fee We may revise the boundaries of your Designated Territory on renewal. You may be asked to sign a contract with materially different terms and conditions than your original contract, but the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees.
d Termination by franchisee	Not applicable	You may terminate the Franchise Agreement on any grounds available by law.
e Termination by franchisor without cause	Not applicable	Not applicable
f Termination by franchisor with cause	Section 17 1 1	Each of your obligations under the Franchise Agreement is a material and essential obligation, the breach of which may result in termination.
g 'Cause' defined – curable defaults	Sections 17 1 3 and 17 2	We may terminate you for cause if you fail to cure certain defaults, including if you or any of your affiliates fail to pay any monies owed to us, or our affiliates or vendors, and do not cure within five days after notice (or longer period required), fail to obtain signed copies of the confidentiality and non-competition covenants contained in the Franchise Agreement within five days after a request, fail to obtain and maintain required insurance within seven days after notice, suspension of required license or permit, use the Marks in an unauthorized manner and fail to cure within 24 hours after notice, fail to maintain quality standards, fail to cure any other default that is susceptible of cure within 30 days after notice

Provision	Section in Franchise Agreement	Summary
h “Cause” defined – non-curable defaults	Sections 17.1.2 and 17.1.3	We may terminate you for cause if you fail to cure certain defaults, including if you become insolvent, make a general assignment for benefit of creditors, file a petition or have a petition initiated against you under federal bankruptcy laws, have outstanding judgments against you for over 30 days, sell unauthorized products or services, fail to find an accepted location within time required, fail to remodel when required, fail to open Store when required, fail to comply with any term and condition of any sublease or related agreement and have not cured the default within the given cure period, abandon or lose right to the Store premises, are convicted of a felony or other crime that may have an adverse affect on the System or Marks, transfer any interest without our consent, required license permit is revoked, repeated defaults, or maintain false books or records. In addition, a default under one agreement with us may result in a termination of all of your other agreements with us. This is known as a cross-default provision.
i Franchisee’s obligations on termination/non-renewal	Section 18	Obligations include: You must stop operating the Store and using the Marks and System and completely de-identify the business, pay all amounts due to us or our affiliates, return the Manual and all other proprietary materials, comply with confidentiality requirements, pay liquidated damages (if applicable), and at our option, sell or assign to us your rights in the Store premises and the equipment and fixtures used in the business.
j Assignment of contract by franchisor	Section 14.1	We have the right to transfer or assign the Franchise Agreement to any person or entity without restriction. However, no assignment will be granted except to an assignee who, in our good faith judgment, is willing and able to assume our obligations.
k “Transfer” by franchisee – defined	Section 14.2.1	Includes sale, assignment, conveyance, pledge, mortgage or other encumbrance of any interest in the Franchise Agreement, the Store or you (if you are not a natural person).

	Provision	Section in Franchise Agreement	Summary
l	Franchisor approval of transfer by franchisee	Section 14 2 2	You must obtain our consent before transferring any interest. We will not unreasonably withhold our consent.
m	Conditions for franchisor approval of transfer	Section 14 2 2	Conditions include: You must pay all amounts due us or our affiliates, not otherwise be in default, sign a general release, and pay a transfer fee. Transferee must meet our criteria, complete training to our satisfaction and sign current Franchise Agreement.
n	Franchisor's right of first refusal to acquire franchisee's business	Section 14 4	Within 30 days after notice, we have the option to purchase the transferred interest on the same terms and conditions.
o	Franchisor's option to purchase franchisee's business	Section 18 12	Upon termination or expiration of the Franchise Agreement, we have the right to purchase certain assets of the Store.
p	Death or disability of franchisee	Section 14 5	If you or a Controlling Principal are a natural person, on death or permanent disability, distributee must be approved by us, or franchise must be transferred to someone approved by us within 12 months after death or within six months after notice of permanent disability.
q	Non-competition covenants during the term of the franchise	Section 10 3 1	You are prohibited from operating or having an interest in a similar business without our prior written consent.
r	Non-competition covenants after the franchise is terminated or expires	Section 10 3 2	You and your Controlling Principals are prohibited for two years from expiration or termination of the franchise from operating or having an interest in a similar business within 20 miles of any Store in the System.
s	Modification of the agreement	Sections 10 1 5 and 19 2	The Franchise Agreement may not be modified unless mutually agreed to in writing. You must comply with Manual as amended.
t	Integration/merger clause	Section 19 2	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable federal and/or state law). No other representations or promises will be binding.
u	Dispute resolution by arbitration or mediation	Section 19 7	Arbitration within the county where we maintain our headquarters (currently San Francisco County, California), subject to applicable state and federal law.

Provision	Section in Franchise Agreement	Summary
v Choice of forum	Section 19 8	The county and state where we maintain our headquarters (currently San Francisco County, California), subject to applicable state and federal law
w Choice of Law	Section 19 8	The state where we maintain our headquarters (currently California), subject to applicable state and federal law

ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote our franchise

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential 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 Franchise 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 performance at a particular location or under particular circumstances

We do not furnish or authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a Store, except as stated below. We have 3~~four~~ affiliate operated Loving Cup Stores ~~but we have excluded one location from the financial performance representations. We excluded the Bon Air Center from this Item 19 since this location opened in 2016 and would not present a full 12 months of sales.~~ The following represents the historical Gross Sales earned by the Loving Cup Stores owned and operated by our Store Affiliate at the following locations -(1) 2356 Polk Street, San Francisco, California, opened in November 2008, ~~and~~-(2) 535 Octavia Street, San Francisco, California, opened in May 2014, ~~and~~ (3) 298 Bon Air Center, Greenbrae, California opened in June 2016. The fourth affiliate operated Store, located at 2201 Union Street in San Francisco, California, was opened in August 2017. The Union Street location has been excluded from this Item 19 since the location has not been open for a full 12 months

	Polk Street Location	Octavia Street Location ^{*(1)}	<u>Bon Air Center Location</u>
Square Feet Footage	466	1,070	<u>516</u>
2016 <u>2017</u> Gross Sales <u>(includes Gross Sales of smoothies)</u> ⁽²⁾	\$457,655 <u>\$454,770</u>	\$434,511 <u>\$498,975</u>	<u>\$369,179</u>
Sales Per Square Foot	\$982-09 <u>\$975.90</u>	\$406-09 <u>\$466.33</u>	<u>\$715.46</u>

	Polk Street Location	Octavia Street Location^{*(1)}	<u>Bon Air Center</u> <u>Location</u>
Cost of Goods Sold ^{** (3)}	\$111,499 103,079	\$98,939 110,118	\$81,636

^{*(1)} The Octavia Street location, which will be our primary training facility, is approximately twice the size of the recommended Store location

^{**} (2) Gross Sales is defined as the total revenue derived from the sale of goods or services less sales tax. During 2017 our menu included smoothies. Sales of smoothies accounted for a combined total of \$39,632 in Gross Sales, or 3% of total Gross Sales of \$1,322,924. As of 2018, we no longer offer smoothies.

(3) Cost of Goods Sold includes beginning inventory of food and beverages, inventory purchases for the time periods shown above, and ending inventory. Cost of Goods Sold does not include overhead (fixed costs/total number of hours open) or labor costs

These financial performance representations do not reflect the costs of sales, operating expenses, royalty fees or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating a Loving Cup Store. Franchisees or former franchisees, listed in this Disclosure Document, may be one source of this information.

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

Your revenues may vary significantly depending on a number of factors, including the location of your Store and how you operate your business. Net income will vary from Store to Store depending upon factors such as rental or real estate costs, costs of goods sold, labor costs and other costs relating to the operation of the Store. We strongly urge you to consult with your financial advisor or personal accountant concerning the financial analysis that you should make in determining whether or not to purchase a Loving Cup Store.

We offered substantially the same services to the Stores described in this Statement. These Stores offered -the same products and services to the public as you will-, except that Loving Cup Stores will no longer offer smoothies as explained in the footnotes to the above chart. The Stores report ~~gross sales~~ Gross Sales information to us based upon a uniform reporting system. Written substantiation of the data used in preparing these sales figures will be made available to you upon reasonable request. The information presented above has not been audited.

Other than the preceding financial performance representation, 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 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 Liz Fiedler or ~~Dez Desraeli~~ Fiedler at 376 Marin Avenue, Mill Valley, California, 94941, and (415) 795-1549, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No 1
Systemwide Outlet Summary
For years ~~2014~~, 2015, 2016, 2017

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2014 <u>2015</u>	0	0	0
	2015 <u>2016</u>	0	0	0
	2016 <u>2017</u>	0	0	0
Company-Owned*	2014 <u>2015</u>	+2	2	+1 <u>0</u>
	2015 <u>2016</u>	2	2 <u>3</u>	0 <u>+1</u>
	2016 <u>2017</u>	2 <u>3</u>	3 <u>4</u>	+1
Total Outlets	2014 <u>2015</u>	12	2	+10
	2015 <u>2016</u>	2	2 <u>3</u>	0 <u>+1</u>
	2016 <u>2017</u>	2 <u>3</u>	3 <u>4</u>	+1

* The Company-Owned Outlets reflected in the chart above are owned and operated by our Store Affiliate

Table No 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years ~~2014~~, 2015, 2016, 2017

State	Year	Number of Transfers
None	2014 <u>2015</u>	0
	2015 <u>2016</u>	0
	2016 <u>2017</u>	0
Total	2014 <u>2015</u>	0
	2015 <u>2016</u>	0
	2016 <u>2017</u>	0

Table No 3
Status of Franchised Outlets
For years 2014, 2015, 2016, 2017

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
None	<u>2014</u> <u>2015</u>	0	0	0	0	0	0	0
	<u>2015</u> <u>2016</u>	0	0	0	0	0	0	0
	<u>2016</u> <u>2017</u>	0	0	0	0	0	0	0
Total	<u>2014</u> <u>2015</u>	0	0	0	0	0	0	0
	<u>2015</u> <u>2016</u>	0	0	0	0	0	0	0
	<u>2016</u> <u>2017</u>	0	0	0	0	0	0	0

Table No 4
Status of Company-Owned Outlets
For years 2014, 2015, 2016, 2017

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	<u>2014</u> <u>2015</u>	<u>12</u>	<u>10</u>	0	0	0	2
	<u>2015</u> <u>2016</u>	2	<u>01</u>	0	0	0	<u>23</u>
	<u>2016</u> <u>2017</u>	<u>23</u>	1	0	0	0	<u>34</u>
Total	<u>2014</u> <u>2015</u>	<u>12</u>	<u>10</u>	0	0	0	2
	<u>2015</u> <u>2016</u>	2	<u>01</u>	0	0	0	<u>23</u>
	<u>2016</u> <u>2017</u>	<u>23</u>	1	0	0	0	<u>34</u>

The Outlets in the above chart are owned and operated by our Store Affiliate

Table No 5
Projected Openings as of December 31, 20162017

States	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	85	13
Total	0	85	13

A list of the names of all franchisees the addresses and telephones numbers of the franchises will be provided in Exhibit C to this disclosure document when applicable

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document will be listed on Exhibit D to this disclosure document when applicable **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 had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with Loving Cup System

There are no trademark-specific organizations formed by our franchisees that are associated with Loving Cup System

ITEM 21 **FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit A ~~are~~ our audited ~~opening balance sheet as of June 23~~ financial statements for the fiscal year ended December 31, 2017

We have not been in business for three years or more and cannot include all financial statements required for Item 21

Our fiscal year end is December 31st

ITEM 22 **CONTRACTS**

Attached as Exhibits to this Disclosure Document are the following contracts and their attachments

- | | | |
|---|-------------------------|-----------|
| 1 | Franchise Agreement | Exhibit B |
| 2 | Form of General Release | Exhibit I |

ITEM 23
RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document appear at the end of the Disclosure Document. Please return one signed copy to us and retain the other for your records.

Exhibit A to the Loving Cup Franchise Disclosure Document

FINANCIAL STATEMENTS

**LOVING CUP FRANCHISE COMPANY, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2017**

LOVING CUP FRANCHISE COMPANY, LLC

Independent Auditor's Report	Page 1
Balance Sheet	Page 2
Statement of Operations and Member's Equity	Page 3
Statement of Cash Flows	Page 4
Footnotes	Page 5

BARRY KNEPPER
CERTIFIED PUBLIC ACCOUNTANT
736 VERONA DRIVE MELVILLE, NEW YORK 11747

INDEPENDENT AUDITOR'S REPORT

To the Members of
Loving Cup Franchise Company, LLC

We have audited the accompanying financial statements of Loving Cup Franchise Company, LLC (the "Company") which comprise the balance sheet as of December 31, 2017 and the related statements of operations, changes in member's equity and cash flows for the period inception through December 31, 2017, and the related notes to financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

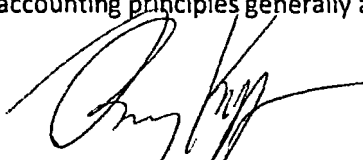
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Loving Cup Franchise Company, LLC as of December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.



Barry Knepper, CPA
February 24, 2018

LOVING CUP FRANCHISE COMPANY, LLC
BALANCE SHEET
DECEMBER 31, 2017

ASSETS

Cash	\$ 130,000
Due from affiliate	97,288
Total Assets	<u>\$ 227,288</u>

LIABILITIES AND MEMBERS' EQUITY

Members' Equity	<u>\$ 227,288</u>
Total Liabilities and Stockholder's Equity	<u>\$ 227,288</u>

See notes to financial statements

LOVING CUP FRANCHISE COMPANY, LLC
STATEMENTS OF OPERATIONS AND MEMBER'S EQUITY
INCEPTION THROUGH DECEMBER 31, 2017

Revenues	\$ —
General and Administrative Expenses	<u>62,712</u>
Net Loss	(62,712)
Member's Equity-Beginning	—
Member's Contributions	<u>290,000</u>
Member's Equity-Ending	<u><u>\$ 227,288</u></u>

See notes to financial statements

LOVING CUP FRANCHISE COMPANY, LLC
STATEMENTS OF CASH FLOWS
INCEPTION THROUGH DECEMBER 31, 2017

OPERATING ACTIVITIES

Net (Loss)	\$ (62,712)
Adjustments to reconcile net (loss) to net cash provided by operating activities:	
Changes in assets and liabilities	
Due from affiliate	<u>(97,288)</u>
	<u>(160,000)</u>

INVESTING ACTIVITIES

Member contributions	<u>290,000</u>
Net Increase in Cash	130,000
Cash-Beginning	—
Cash-Ending	<u><u>\$ 130,000</u></u>

See notes to financial statements

LOVING CUP FRANCHISE COMPANY, LLC
NOTES TO FINANCIAL STATEMENT

1. THE COMPANY-Loving Cup Franchise Company, LLC is a California limited liability company that was formed in May 2017 to offer franchises for an old fashioned dessert shoppe offering hand churned frozen yogurt, rice pudding and beverages. The franchise operates under the name "Loving Cup"

No revenues have yet been generated since the Company has not sold any franchises as of the balance sheet date

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting-The accompanying financial statement has been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to disbursement of cash.

Franchise Arrangements-The Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate a mosquito control business for a specified number of years. At December 31, 2017 there were no franchisees.

Concentration of Credit Risk—Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company's cash accounts did not exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of \$ 250,000. The Company maintains its cash and cash equivalents with accredited financial institutions.

Use of Estimates- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

Taxes on Income — The Company is a limited liability corporation. Income for the Company passes through directly to the sole shareholder and is reported on the shareholder's individual income tax returns. Therefore, no provision or liability for federal or state income tax has been included in the financial statements.

3. RELATED PARTY TRANSACTION- The Company has made advances from time to time to a Company with common ownership. The advances are due on demand and are not interest bearing. The amount due at December 31, 2017 is \$97,288.

4 SUBSEQUENT EVENTS- The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events have been evaluated through February 23, 2018.

Exhibit B to the Loving Cup Franchise Disclosure Document

FRANCHISE AGREEMENT

LOVING CUP FRANCHISE COMPANY LLC

FRANCHISE AGREEMENT

FRANCHISEE

DATE OF AGREEMENT

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LOVING CUP FRANCHISE COMPANY LLC

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into by and between Loving Cup Franchise Company LLC, a California limited liability company having its principal place of business at 376 Marin Avenue, Mill Valley, California, 94941 ("we", "us" or "our") and _____, a _____ corporation/limited liability company/partnership, having its principal place of business at _____ ("you" or "your") on the date this Agreement is executed by us below (the "Effective Date")

WITNESSETH

WHEREAS, as the result of the expenditure of time, skill, effort and money, we and our affiliate have developed and own a unique and distinctive system (hereinafter "System") relating to the establishment and operation of a new, old fashioned dessert concept offering frozen yogurt, rice pudding and beverages operating under the name "Loving Cup" ("Store" or "Franchised Business") Each Store will offer take-out and limited dine-in service and may, with our prior consent, offer limited catering service,

WHEREAS, the distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings, proprietary products and ingredients, proprietary recipes and special menu items, uniform standards, specifications, and procedures for operations, quality and uniformity of products and services offered, procedures for inventory, management and financial control, training and assistance, and advertising and promotional programs, all of which may be changed, improved, and further developed by us from time to time,

WHEREAS, the System is identified by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the mark "Loving Cup" and such other trade names, service marks, and trademarks as are now designated (and may hereafter be designated by us in writing) for use in connection with the System (hereinafter referred to as "Marks"),

WHEREAS, we and our affiliate continue to develop, use and control the use of such Marks in order to identify for the public the source of services and products marketed thereunder and under the System, and to represent the System's high standards of quality, appearance and service,

WHEREAS, you understand and acknowledge the importance of our high standards of quality, cleanliness, appearance and service and the necessity of operating the business franchised hereunder in conformity with our standards and specifications, and

WHEREAS, you desire to use the System in connection with the operation of a Store at the location accepted by us as herein provided, as well as to receive the training and other assistance provided by us in connection therewith

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows

ARTICLE 1

GRANT

1 1 Grant of Franchise

In reliance on the representations and warranties of you and your Controlling Principals (as defined in Section 19 17) hereunder, we hereby grant to you, upon the terms and conditions in this Agreement, the right and license, and you hereby accept the right and obligation, to operate a Loving Cup Store under the Marks and the System in accordance with this Agreement. You and the Controlling Principals have represented to us that you have entered into this Agreement with the intention to comply fully with the obligations to construct a Store hereunder and not for the purpose of reselling the rights to develop the Store hereunder. You and the Controlling Principals understand and acknowledge that we have granted such rights in reliance on the business skill, financial capacity, personal character of, and expectations of performance hereunder by, you and the Controlling Principals and that this Agreement and the rights and obligations hereunder may not be transferred until after the Store is open for business to the public in accordance with Section 2 6, and then only in accordance with Article 14 hereof.

1 2 Accepted Location

The specific street address of the Store location accepted by us shall be set forth in Attachment A ("Location" or "Accepted Location") when such Location is determined. You shall not relocate the Store without our express prior written consent, which consent shall not be unreasonably withheld. This Agreement does not grant to you the right or license to operate the Store or to offer or sell any products or services described under this Agreement at or from any location other than the Accepted Location.

1 3 Relocation

If you are unable to continue the operation of the Store at the Accepted Location because of the occurrence of a force majeure event (as described in Section 17 1 3(e)) and the Accepted Location cannot be repaired within sixty (60) days after such force majeure event, then you may request our approval to relocate the Store to another location in the Designated Territory, as that term is defined below, which approval shall not be unreasonably withheld. Any other relocation outside the Designated Territory or a relocation of the Store not caused by force majeure shall also be subject to our prior approval. If we elect to grant you the right to relocate the Store, then you shall comply with the site selection and construction procedures set forth in Article 2. Upon our approval of your relocation request, you shall pay to us a relocation fee in an amount equal to twenty-five percent (25%) of our then-current initial franchise fee for a single unit franchise.

1 4 Designated Territory

Upon the execution of this Agreement or when the Accepted Location is determined, whichever occurs later, you may be assigned a territory (the "Designated Territory") that will also be described in Attachment A. You understand and acknowledge that if your Accepted Location is a Non-Traditional Site (as described in Section 1 5 below) you will not receive a Designated Territory.

Except as provided in this Agreement, and subject to your and the Controlling Principals' material compliance with this Agreement, any other agreement among you or any of your affiliates (defined for the purposes hereof as any entity that is controlled by, controlling or under common control with such other entity) and us, we shall not establish or authorize any other person or entity, other than you, to establish a Store in the Designated Territory during the term of this Agreement and any extensions hereof. You acknowledge and understand that the rights granted hereunder pertain only to the establishment of a Store. You acknowledge and agree that our affiliates currently operate, or may in the future operate, stores under different marks and with operating systems that are the same as or similar to

the System, and that any such Stores might compete with your Store. You further agree and acknowledge that the license granted hereby is only for the operation of one (1) Store and only at a location accepted by us.

1.5 Our Reserved Rights

1.5.1 Nothing in this Agreement will prohibit us from (a) operating and/or franchising others to operate Stores identified in whole or in part by the Proprietary Marks and/or utilizing the System in the Designated Territory that are located in gas stations or convenience stores, transportation facilities, including airports, train stations, subways and rail and bus stations, military bases and government offices, sports facilities, including stadiums and arenas, amusement parks, zoos and convention centers, car and truck rest stops and travel centers, educational facilities, recreational theme parks, hospitals, business or industrial foodservice venues, venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider, Indian reservations, casinos, or any similar captive market location not reasonably available to you ("Non-Traditional Site"), (b) awarding national, regional or local licenses to third parties to sell products under the Proprietary Marks in foodservice facilities primarily identified by the third party's trademark, (c) merchandising and distributing products identified by the Proprietary Marks in the Designated Territory through any method or channel of distribution other than through the operation of a Store, including distribution of proprietary products through grocery stores, club stores and ethnic food stores, (d) selling and distributing products identified by the Proprietary Marks in the Designated Territory to stores other than Stores identified by the Proprietary Marks, provided those stores are not licensed to use the Proprietary Marks in connection with their retail sales, (e) selling products and services through other channels of distribution, including the internet, wholesale, mail order and catalogue, (f) developing and/or owning other franchise systems for the same or similar products and services using trade names and trademarks other than the Proprietary Marks, and (g) purchasing, being purchased by, merging or combining with, businesses that we deem to offer direct competition to Loving Cup Stores.

1.5.2 You understand and acknowledge that if any Non-Traditional Site (as described above) is located within the physical boundaries of your Designated Territory, then the premises of this Non-Traditional Site will not be included in your Designated Territory and you will have no rights to this Non-Traditional Site.

1.5.3 This Section 1.5 does not prohibit us or our affiliates from (a) operating and franchising others to operate, during the Initial Term, Loving Cup Stores at any location outside of the Designated Territory, (b) operating and franchising others to operate, after this Agreement terminates or expires, Loving Cup Stores at any location, including locations inside the Designated Territory, and (c) operating and franchising others to operate at any location, during or after the Initial Term, any type of Store other than a Loving Cup Store.

1.5.4 The restrictions contained in this Section do not apply to Loving Cup Stores in operation, under lease or construction or other commitment to open in the Designated Territory as of the Effective Date.

1.5.5 Except as expressly limited by this Section 1.5, we and our affiliates have the right to conduct any business activities, under any name, in any geographic area and at any location, regardless of the proximity to the Store or the economic effect on your Store or activities under this Agreement.

1 6 Forms of Agreement

You acknowledge that, over time, we have entered, and will continue to enter, into agreements with other franchisees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that we and other franchisees may have different rights and obligations does not affect our or your duties to comply with the terms of this Agreement.

ARTICLE 2 SITE SELECTION, PLANS AND CONSTRUCTION

2 1 Your Responsibility to Locate a Site

You assume all cost, liability, expense and responsibility for locating, obtaining and developing a site for the Store within the Designated Territory, and for constructing and equipping the Store at such site. You shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for the Store unless the site is accepted by us as set forth below. You acknowledge that the location, selection, procurement and development of a site for the Store is your responsibility, that in discharging such responsibility you shall consult with real estate and other professionals of your choosing, unless we designate a supplier for these services, and that our approval of a prospective site and the rendering of assistance in the selection of a site does not constitute a representation, promise, warranty or guarantee, express or implied, by us that the Store operated at that site will be profitable or otherwise successful.

2 2 Site Selection

2 2 1 If you do not already have possession of a location that we have accepted upon your execution of this Agreement, then within ninety (90) days of the date this Agreement is executed you shall locate a site for the Store that satisfies the site selection guidelines provided to you by us pursuant to Section 5 1 and submit to us in the form specified by us a description of the site, including evidence reasonably satisfactory to us demonstrating that the site satisfies our site selection guidelines, together with such other information and materials as we may reasonably require, including, but not limited to, a letter of intent or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. We shall have up to thirty (30) days after receipt of this information and materials to accept or decline, in our sole discretion, the proposed site as the location for the Store. We will use our best efforts to respond to your request within seven (7) days after our receipt of all required information. We may, if we determine it is necessary, conduct one (1) on-site evaluation of the proposed location for the Store. No site may be used for the location of the Store unless it is first accepted in writing by us. You acknowledge and agree that our acceptance of a location for the Store is not a warranty or guaranty, express or implied, that you will achieve any particular level of success at the location or that your Store will be profitable. Our acceptance of a location for the Store only signifies that the location meets our then-current minimum criteria for a Loving Cup Store. We reserve the right to approve deviations from our site selection standards based on the individual factors and components of a particular site, but any such approvals shall be granted in our sole discretion. If you are unable to locate a site for your Store within ninety (90) days after this Agreement is executed, we may provide you with an extension of this timeframe or we may terminate this Agreement.

2 2 2 If you elect to purchase the premises for the Store, you shall submit a copy of the proposed contract of sale to us for our written approval prior to its execution and shall furnish to us a copy of the executed contract of sale within ten (10) days after execution. If you will occupy the premises of the Store under a lease or sublease, you shall submit a copy of the lease or sublease to us for written acceptance prior to its execution and shall furnish to us a copy of the executed lease or sublease within ten

(10) days after execution. No lease or sublease for the Store premises shall be accepted by us unless a Collateral Assignment of Lease, prepared by us and executed by us, you and the lessor or sublessor, in substantially the form attached as Attachment B, is attached to the lease and incorporated therein. We shall have ten (10) days after receipt of the lease, sublease or the proposed contract of sale to either accept or decline such documentation prior to its execution. If we do not provide our specific approval of the lease, sublease or contract of sale within this ten (10) day period, then it shall be deemed not accepted.

2.2.3 After we have accepted the location for your Store and that Accepted Location is acquired by you pursuant to this Agreement, the Accepted Location and your Designated Territory shall be described in Attachment A.

2.3 Zoning Clearances, Permits and Licenses

You shall be responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances or regulations or which may be necessary as a result of any restrictive covenants relating to the Accepted Location. Prior to beginning the construction of the Store, you shall (i) obtain all permits, licenses and certifications required for the lawful construction or remodeling and operation of the Store, and (ii) certify in writing to us that the insurance coverage specified in Article 12 is in full force and effect (or provide us with a certificate of insurance evidencing coverage) and that all required approvals, clearances, permits and certifications have been obtained. Upon written request, you shall provide to us additional copies of your insurance policies or certificates of insurance and copies of all such approvals, clearances, permits and certifications.

2.4 Design of Store

You must obtain any architectural, engineering and design services required for the construction of the Store at your own expense from an architectural design firm approved or designated by us. You shall adapt the prototypical architectural and design plans and specifications for construction of the Store provided to you by us in accordance with Section 5.3 as necessary for the construction of the Store and shall submit such adapted plans to us for our review. Such plans must comply with applicable laws (including the Americans with Disabilities Act), ordinances and building codes for the city and state in which the Store will be located. If we determine, in our reasonable discretion, that any such plans are not consistent with the best interests of the System, we may prohibit the implementation of such plans, and in this event will notify you of any objection(s) within ten (10) days of receiving such plans. If we fail to notify you of an objection to the plans within this time period, you may use such plans. If we object to any such plans, we shall provide you with a reasonably detailed list of changes necessary to make the plans acceptable. We shall, upon a re-submission of the plans with such changes, notify you within ten (10) days of receiving the resubmitted plans whether the plans are acceptable. If we fail to notify you in writing of any objection within such time period, you may use the resubmitted plans. You acknowledge that our review of such plans relates only to compliance with the System and that acceptance by us of such plans does not constitute a representation, warranty, or guarantee, express or implied, by us that such plans are accurate or free of error concerning their design or structural application, or that such plans comply with any laws, ordinances or building codes applicable to the Accepted Location.

2.5 Build-Out of Store

You shall commence and diligently pursue construction or remodeling (as applicable) of the Store. Commencement of construction shall be defined as the time at which any site work is initiated by you or on your behalf at the location accepted for the Store. Site work includes, without limitation, paving of parking areas, installing outdoor lighting and sidewalks, extending utilities, demising of interior walls and demolishing of any existing premises. During the time of construction or remodeling, you shall provide us with such periodic reports regarding the progress of the construction or remodeling as may be

reasonably requested by us. In addition, we may make such on-site inspections as we may deem reasonably necessary to evaluate such progress. You shall notify us of the scheduled date for completion of construction or remodeling no later than thirty (30) days prior to such date. Within a reasonable time after the date of completion of construction or remodeling, we may, at our option, conduct an inspection of the completed Store. You acknowledge and agree that you will not open the Store for business without our written authorization and that authorization to open shall be conditioned upon your strict compliance with this Agreement and your certification to us, in the form attached hereto as Attachment K, that the Store has been constructed in compliance with the Americans with Disabilities Act.

2.6 Opening Date, Time is of the Essence

You acknowledge that time is of the essence. Subject to your compliance with the conditions stated below, you shall open the Store and commence business not later than four (4) months after the date the Accepted Location is determined. The date the Store actually opens for business to the public is herein called the "Opening Date." Prior to opening, you shall complete all exterior and interior preparations for the Store, including installation of equipment, fixtures, furnishings and signs, pursuant to the plans and specifications reasonably approved by us, and shall comply with all of your other pre-opening obligations, including, but not limited to, those obligations described in Sections 6.2 through 6.7, to our reasonable satisfaction. If you fail to reasonably comply with any of such obligations, except for delay caused by a force majeure event as described in Section 17.1.3(e), we shall have the right to prohibit you from commencing business. Prior to opening the Franchised Business, and before any renovation to the Franchised Business, you shall execute an Americans with Disabilities Act Certification in the form attached to this Agreement as Attachment K that certifies in writing to us that the Franchised Business and any proposed renovations comply with the Americans with Disabilities Act. If you are unable to open your Store within the timeframe required herein, we may provide you with an extension of this timeframe or we may terminate this Agreement.

ARTICLE 3 TERM AND RENEWAL

3.1 Term

Unless sooner terminated as provided in Article 17 hereof, the term of this Agreement shall continue from the date stated on the first page hereof for a period of seven (7) years ("Initial Term").

3.2 Renewal

If you satisfy each of the requirements set forth below, you may renew for up to two (2) additional terms of five (5) years each.

3.2.1 You shall have been, throughout the initial term of this Agreement (and any previous and then-current renewal term, as the case may be), in substantial compliance, and at the expiration of such Initial Term (and any previous and then-current renewal term, as the case may be) are in full compliance, with this Agreement, your lease or sublease and all other agreements between you and us or companies or persons associated or affiliated with us.

3.2.2 You shall, within six (6) months before the expiration of the Initial Term or then-current renewal term, as the case may be, but not later than three (3) months before the expiration of the Initial Term or then-current renewal term, as the case may be, provide written notice to us that you wish to renew this Agreement, and we, in turn, shall provide you with any documents that you are required to execute for the renewal term, which documents may include, but are not limited to, a general release, our then-current Franchise Agreement and all other ancillary agreements, instruments and documents then

customarily used by us in the granting of Loving Cup franchises (all of which will contain terms and fees substantially the same as those included in Franchise Agreements being executed at the time of renewal, and which will not obligate you to pay a further initial franchise fee, but will require payment of the then-current renewal fee) (the 'Renewal Franchise Documents')

3 2 3 You shall execute the Renewal Franchise Documents and all other documents and instruments that we require in order to renew this Agreement. You shall return the executed Renewal Franchise Documents to us, together with payment of a renewal fee equal to Five Thousand Dollars (\$5,000), by no later than the expiration date of the Initial Term. If we do not receive the executed documents and renewal fee by such expiration date, then this Agreement shall expire, you shall have no further rights under this Agreement, and you shall comply with the provisions of Article 18 and any other provisions that survive termination or expiration of this Agreement.

3 2 4 After we have received from you all executed Renewal Franchise Documents and the renewal fee, we shall inspect your Store to determine the extent of any required updating, remodeling, redecorating or other refurbishment for the Store in order to bring the Store up to our then-current image and standards for new Loving Cup Stores. We will provide notice to you of the modifications you shall be required to make and you shall have six (6) months from the date of such notice to effectuate such modifications. If you fail or refuse to make the required modifications, we shall have the right to terminate the Renewal Franchise Documents.

3 2 5 As part of the process of renewing this Agreement, we reserve the right to re-evaluate your then-existing Designated Territory according to certain demographics, including population. Since your Designated Territory includes a certain minimum population, your Designated Territory under the renewal Franchise Agreement will be modified to accommodate shifts and changes in population. Our intent is to make the target demographics of your renewal Designated Territory similar to the target demographics of your original Designated Territory. A re-evaluation of your Designated Territory may result in your renewal Designated Territory being smaller or larger than your original Designated Territory. We cannot guarantee that you will achieve any particular level of success with the renewal Designated Territory or that your results will be the same as or similar to your results from operating in the original Designated Territory.

3 3 Refusal to Renew Franchise Agreement

We can refuse to renew your franchise if your lease, sublease or other document by which you have the right to occupy the Accepted Location is not extended before your renewal term is to take effect to cover the period of the renewal or if you do not have a written commitment from your landlord to renew the lease or sublease for a period at least equal to the renewal term. We may also refuse to renew your franchise under other circumstances, including, but not limited to, your failure to substantially comply with the terms of this Agreement, your failure to pay amounts owed to us when due, or your failure to cure of any defaults incurred during the initial term of this Agreement, if applicable.

3 4 Renewal Under Law

Even though we decline the renewal of your franchise, it is possible that we can be required to renew it under a law, rule, regulation, statute, ordinance, or legal order that is applicable at the time. If that happens, to the extent it is allowed by the applicable law, rule, regulation, statute, ordinance or order, your renewal term will be subject to the conditions of the Franchise Agreement we are using for new franchisees at the time the renewal period begins. If we are not then offering new franchises, your renewal period will be subject to the terms in the then-current Franchise Agreement that we indicate. If for any reason that is not allowed, the renewal term will be governed by the terms of this Agreement.

3 5 Your Election Not to Renew

For the purposes hereof, you shall be deemed to have irrevocably elected not to renew the Franchise hereunder (and the option to do so shall thereupon terminate) if you fail to execute and return to us any of the Renewal Franchise Documents required by us for a renewal franchise, together with payment of our then-current renewal fee, or if you provide written notice to us within the final sixty (60) days of the initial term or then-current renewal term, as the case may be, indicating that you do not wish to renew this Agreement

ARTICLE 4 FEES

4 1 Initial Franchise Fee

You shall pay to us an initial franchise fee of Thirty Thousand Dollars (\$30,000) which shall be paid upon the execution of this Agreement, subject to any discount to which you may be entitled as described below. If this Agreement is for your second (2nd) or later Store, the initial franchise fee shall be two-thirds (2/3) of our then-current initial franchise fee without further discount. The amount of the initial franchise fee when so paid shall be deemed fully earned in consideration of the administrative and other expenses incurred by us in granting the franchise hereunder and for our lost or deferred opportunity to grant such franchise to any other party and shall not be refundable.

4 1 1 If this Agreement is for a conversion franchise, the initial franchise fee shall be as set forth on the Addendum attached hereto as Attachment M.

4 1 2 If you are a qualified United States veteran and this Agreement is for your first (1st) Loving Cup Store franchise, the initial franchise fee payable hereunder shall be equal to eighty-five percent (85%) of the initial franchise fee set forth above for a single unit franchise, or Twenty-Five Thousand Five Hundred Dollars (\$25,500).

No other discounts are provided and discounts cannot be combined. If you qualify for more than one discount, the greater discount you qualify for will be granted.

4 2 Royalty Fees

4 2 1 During the term of this Agreement, you shall pay to us, in partial consideration for the rights herein granted, a continuing weekly royalty fee of seven percent (7%) of Gross Sales ("Royalty Fee"). Such royalty fee shall be due and payable on Wednesday of each week based on the Gross Sales for the preceding week ending Sunday, provided that such day is a business day. If the date on which such payments would otherwise be due is not a business day, then payment shall be due on the next business day.

4 2 2 Each such royalty fee shall be preceded by a royalty report itemizing the Gross Sales for the preceding week ending Sunday ("Royalty Report") and any other reports required hereunder. Notwithstanding the foregoing, you shall provide us with such Royalty Report by Tuesday of each week by modem or, if not reasonably available, by facsimile transmission or such other method of delivery as we may reasonably direct. As stated herein, we have the right to poll your point of sale system directly to obtain such Gross Sales information, but this does not diminish your responsibility to provide us with the required Royalty Report.

4 2 3 If any state imposes a sales or other tax on the Royalty Fees, then we have the right to collect this tax from you.

4.3 Brand Development Fee

In addition to the Royalty Fee described in Section 4.2 above, you agree to pay to us a Brand Development Fee in an amount equal to up to two percent (2%) of the Store's Gross Sales. As of the Effective Date, the Brand Development Fee payable hereunder shall be equal to one percent (1%) of Gross Sales. We shall have the right, with sixty (60) days' prior written notice to you, to increase the Brand Development Fee up to the maximum amount stated herein.

Such amount shall be contributed to a Brand Development Fund maintained by us, as described in Section 8.3 below. If the Brand Development Fund has not yet been established when this Agreement is executed by you and us, then you shall begin paying this advertising fee upon thirty (30) days' advance notice from us that the Brand Development Fund has been established. The Brand Development Fee is payable to us at the same time and in the same manner as the Royalty Fee.

We may periodically receive allowances, rebates or other payments from approved suppliers based on purchases from such suppliers by our franchisees, and we may elect to contribute such allowances, rebates or other payments to the Brand Development Fund. You understand and acknowledge, however, that any such contribution of these amounts by us to the Brand Development Fund does not in any manner diminish or eliminate your responsibility to pay the Brand Development Fee.

4.4 Payments to Us

By executing this Agreement, you agree that we shall have the right to withdraw funds from your designated bank account by electronic funds transfer ("EFT") in the amount of the Royalty Fee, Brand Development Fee, Technology Fee, and any other payments due to us and/or our affiliates, including purchases from us and/or our affiliates. If you do not provide the Royalty Report when required, we may debit your account for one hundred twenty percent (120%) of the last Royalty Fee and Brand Development Fee that we debited. If the Royalty Fee and Brand Development Fee we debit are less than the Royalty Fee and Brand Development Fee you actually owe to us, once we have been able to determine the Store's true and correct Gross Sales, we will debit your account for the balance on a day we specify. If the Royalty Fee and Brand Development Fee we debit are greater than the Royalty Fee and Brand Development Fee you actually owe, we will credit the excess against the amount we otherwise would debit from your account during the following week. You shall, upon execution of this Agreement or at any time thereafter at our request, execute such documents or forms as we or your bank determine are necessary for us to process EFTs from your designated bank account for the payments due hereunder. If payments are not received when due, interest may be charged by us in accordance with Section 4.5 below. Upon written notice to you, you may be required to pay such fees directly to us in lieu of EFT, at our sole discretion.

4.5 Interest on Overdue Amounts

You shall not be entitled to withhold payments due us under this Agreement on grounds of alleged non-performance by us hereunder. Any payment or report not actually received by us on or before its due date shall be deemed overdue. Time is of the essence with respect to all payments to be made by you to us. All unpaid obligations under this Agreement shall bear interest from the date due until paid at the greater of (i) eighteen percent (18%) per annum, or (ii) the maximum rate allowed by applicable law. Notwithstanding anything to the contrary contained herein, no provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If any excess of interest is provided for herein, or shall be adjudicated to be so provided in this Agreement, the provisions of this paragraph shall govern and prevail, and neither you nor

your Controlling Principals shall be obligated to pay the excess amount of such interest. If for any reason interest in excess of the maximum rate allowed by applicable law shall be deemed charged, required or permitted, any such excess shall be applied as a payment and reduction of any other amounts which may be due and owing hereunder, and if no such amounts are due and owing hereunder then such excess shall be repaid to the party that paid such interest.

4.6 Definition of Gross Sales

"Gross Sales" shall mean the total selling price of all services and products and all income of every other kind and nature related to the Store, whether for cash or credit and regardless of collection in the case of credit. If a cash shortage occurs, the amount of Gross Sales will be determined based on the records of the point of sale system and any cash shortage will not be considered in the determination. Gross Sales expressly excludes taxes collected from your customers and paid to the appropriate taxing authority and customer refunds or adjustments.

4.7 Insufficient Funds Fees

If there are not sufficient funds in your account to permit us to debit the account for the payments you owe us, you will pay to us an insufficient funds fee equal to One Hundred Dollars (\$100). This fee is in addition to interest on any overdue amount, as described in Section 4.5 above, and any fees charged by your bank. If you incur three (3) insufficient funds fees within any twelve (12) month period, we may terminate this Agreement without providing you the opportunity to cure the default.

4.8 Payment of Additional Fees

You shall pay such other fees or amounts described in this Agreement.

ARTICLE 5 **OUR OBLIGATIONS**

We agree to provide the services described below with regard to the Store.

5.1 Site Selection Guidelines

We will provide our written site selection guidelines and such site selection assistance as we may deem advisable.

5.2 On-Site Evaluation

We will, if we deem it necessary, conduct one (1) on-site evaluation of a site that you propose to us for your Store, provided that we have received all required information and materials concerning such site prepared pursuant to Article 2.

5.3 Design Plans

We will provide, on loan, one (1) set of prototypical architectural and design plans and specifications for a Store. You shall, at your expense, have such architectural and design plans and specifications adapted for construction of the Store in accordance with Article 2 using an architect or design that we have approved or designated.

5.4 Confidential Operations Manual

We will provide, on loan, one (1) set of Confidential Operations Manuals and such other manuals and written materials as we shall have developed for use in the Franchised Business (as the same may be

revised by us from time to time, the “Manuals”), as more fully described in Section 10.1. The Manuals may, in our discretion, be provided electronically or via an intranet website for all Loving Cup Stores in the System.

5.5 Visits and Evaluations

We will visit the Store and evaluate the products sold and services rendered therein from time to time as reasonably determined by us, as more fully described in Section 7.5.6.

5.6 Marketing and Promotional Materials

We shall have the right to review and approve or disapprove all marketing and promotional materials that you propose to use, pursuant to Article 8.

5.7 Management and Operations Advice

We will provide advice and written materials concerning techniques of managing and operating the Store from time to time developed by us, including new developments and improvements in Store equipment, food products and the packaging and preparation thereof, and menu items. Notwithstanding the foregoing, you understand and acknowledge that we reserve the right, in our sole discretion, to grant to certain Loving Cup Stores variances from our standard menu to accommodate regional or local tastes or ingredients. Nothing in this Agreement requires us to grant to you a similar variance.

5.8 Products for Resale

From time to time and at our reasonable discretion, at a reasonable cost, we shall make available for resale to your customers certain merchandise identifying the System, such as logoed merchandise and memorabilia, and other proprietary products in sufficient amounts to meet customer demand. We may specify that you must purchase such merchandise from us, our affiliate, or another designated supplier.

5.9 Approved Suppliers

We will provide a list of approved suppliers as described in Section 7.4 from time to time as we deem appropriate.

5.10 Initial Training Program

We will provide an initial training program for up to two (2) people, as well as other training programs in accordance with the provisions of Section 6.4.

5.11 Opening Assistance

We will provide on-site opening assistance at the Store in accordance with the provisions of Section 6.4.

5.12 Brand Development Fund, Marketing Cooperatives

We will establish and administer a brand development fund and/or marketing cooperatives in accordance with Article 8.

ARTICLE 6
YOUR AGREEMENTS, REPRESENTATIONS, WARRANTIES AND COVENANTS

6 1 Use Commercially Reasonable Efforts

Each of you and the Controlling Principals covenants and agrees that they shall make all commercially reasonable efforts to operate the Store so as to achieve optimum sales

6 2 Representations of Corporate Entity

If you are a corporation, limited liability company, or partnership, you and the Controlling Principals represent, warrant and covenant that

6 2 1 You are duly organized and validly existing under the state law of your formation,

6 2 2 You are duly qualified and are authorized to do business in each jurisdiction in which your business activities or the nature of the properties owned by you require such qualification,

6 2 3 Your corporate charter, operating agreement, or written partnership agreement shall at all times provide that your activities are confined exclusively to the operation of the Store, unless otherwise consented to in writing by us,

6 2 4 The execution of this Agreement and the consummation of the transactions contemplated hereby are within your corporate power, if you are a corporation, or if you are a limited liability company, permitted under your operating agreement, or if you are a partnership, permitted under your written partnership agreement and have been duly authorized by you,

6 2 5 If you are a corporation or a limited liability company, copies of your articles of incorporation, bylaws, operating agreement, other governing documents, any amendments thereto, resolutions of the Board of Directors authorizing entry into and performance of this Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of stock of the corporation, and any other documents as may be reasonably required by us shall be furnished to us prior to the execution of this Agreement, or, if you are a partnership, copies of your written partnership agreement, other governing documents and any amendments thereto shall be furnished to us prior to the execution of this Agreement, including evidence of consent or approval of the entry into and performance of this Agreement by the requisite number or percentage of partners, if such approval or consent is required by your written partnership agreement,

6 2 6 If you are a corporation, partnership or other form of legal entity other than an individual, the ownership interests in you are accurately and completely described in Attachment C. Further, if you are a corporation, you shall maintain at all times a current list of all owners of record and all beneficial owners of any class of voting securities in you or, if you are a partnership or other form of legal entity, you shall maintain at all times a current list of all owners of an interest in the partnership or entity. You shall immediately provide a copy of the updated list of all owners to us upon the occurrence of any change of ownership and otherwise make your list of owners available to us upon reasonable written request,

6 2 7 If you are a corporation, you shall maintain stop-transfer instructions against the transfer on your records of any of equity securities and each stock certificate representing stock of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to us that it is held subject to all restrictions imposed upon assignments by this Agreement. If you are a partnership or

limited liability company, your written agreement shall provide that ownership of an interest in the entity is held subject to all restrictions imposed upon assignments by this Agreement,

6 2 8 You must have provided us with your most recent financial statements. Such financial statements present fairly your financial position, at the dates indicated therein and with respect to you, the results of your operations and your cash flow for the years then ended. You agree that you shall maintain at all times, during the term of this Agreement, sufficient working capital to fulfill your obligations under this Agreement. Each of the financial statements mentioned above shall be certified as true, complete and correct and shall have been prepared in conformity with generally accepted accounting principles applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis. No material liabilities, adverse claims, commitments or obligations of any nature exist as of the date of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise, which are not reflected as liabilities on your financial statements.

6 2 9 If, after the execution of this Agreement, any person ceases to qualify as one of your Principals (defined in Section 19 17) or if any individual succeeds to or otherwise comes to occupy a position which would, upon designation by us, qualify him as one of your Principals, you shall notify us within ten (10) days after any such change and, upon designation of such person by us as one of your Principals or as a Controlling Principal, as the case may be, such person shall execute such documents and instruments (including, as applicable, this Agreement) as may be required by us to be executed by others in such positions,

6 2 10 Your Principals shall each execute and bind themselves to the confidentiality and non-competition covenants set forth in the Confidentiality and Non-Competition Agreement which forms Attachment D to this Agreement (see Sections 10 2 2 and 10 3 4). The Controlling Principals shall, jointly and severally, guarantee your performance of all of your obligations, covenants and agreements hereunder pursuant to the terms and conditions of the guaranty contained herein, and shall otherwise bind themselves to the terms of this Agreement as stated herein, and

6 2 11 You and the Controlling Principals acknowledge and agree that the representations, warranties and covenants set forth above in Sections 6 2 1 through 6 2 10 are continuing obligations of you and the Controlling Principals, as applicable, and that any failure to comply with such representations, warranties and covenants shall constitute a material event of default under this Agreement. You and the Controlling Principals will cooperate with us in any efforts made by us to verify compliance with such representations, warranties and covenants.

6 3 General Manager

You shall designate and retain at all times a general manager ("General Manager") to direct the operation and management of the Store. The General Manager shall be responsible for the daily operation of the Store and may be one of the Controlling Principals. The General Manager shall, during the entire period he/she serves as General Manager, meet the following qualifications:

6 3 1 The General Manager shall satisfy our educational and business experience criteria as set forth in the Manuals as defined herein or otherwise in writing by us,

6 3 2 The General Manager shall devote full time and best efforts to the supervision and management of the Store,

6 3 3 The General Manager shall be an individual acceptable to us, and

6 3 4 The General Manager shall satisfy the training requirements set forth in Section 6 4 If, during the term of this Agreement, the General Manager is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Section, you shall promptly (not later than seven (7) days after the event) notify us and designate a replacement within thirty (30) days after the General Manager ceases to serve, such replacement being subject to the same qualifications listed above (including completing all training and obtaining all certifications required by us) You shall provide for interim management of the Store until such replacement is so designated, such interim management to be conducted in accordance with the terms of this Agreement Any failure to materially comply with the requirements of this Section 6 3 shall be deemed a material event of default under Section 17 1 3(o) hereof

6 4 Training

You agree that it is necessary to the continued operation of the System and the Store that your personnel receive such training as we may reasonably require, and accordingly agree as follows

6 4 1 (a) Not later than thirty (30) days prior to the Opening Date, up to two (2) trainees (including you and your General Manager) shall have completed, to our reasonable satisfaction, our initial training program, including classroom training and training in an operating Store at such location(s) as may be designated by us If you request that we provide our initial training program to any additional trainees, you shall pay our then-current, per person training fee for each additional trainee You shall be responsible for any and all expenses incurred by you, your General Manager and other Store personnel in connection with any initial training program, including, without limitation, costs of travel, lodging, meals and applicable wages

(b) We shall determine, in our reasonable discretion, whether you and/or the General Manager have satisfactorily completed initial training If the initial training program is (a) not completed within the timeframe required by us, (b) not satisfactorily completed by the General Manager, or (c) if we in our reasonable business judgment, based upon the performance of the General Manager, determine that the training program cannot be satisfactorily completed by any such person, you shall designate a replacement to satisfactorily complete such training at your expense, including payment of our then-current training fee Any General Manager subsequently designated by you shall also receive and complete such initial training before you will be permitted to open your Store If the replacement General Manager cannot complete the initial training program to our satisfaction, we have the right to terminate your this Agreement

(c) Any manager subsequently designated by you must also receive and complete the initial training program to our satisfaction, even if this requires sending that manager to our headquarters training program, at your expense We reserve the right to charge a reasonable fee for the initial training we provide to a replacement or successor employee if we have not approved you to provide the training You must also pay for all expenses you, your managers and other personnel incur for any training program, including costs of travel, lodging, meals and applicable wages We may approve you to train replacement managers under our training program before permitting you to train your entire staff, if this Agreement is for your third or later Store You may not train any personnel until we have approved you as a trainer

6 4 2 In connection with the opening of the Store, we shall provide you with one (1) of our representatives to provide on-site opening assistance and training for three (3) to five (5) days around your Store opening If you request that our representative provide additional days of on-site assistance, you agree to all expenses our representative incurs while providing the additional assistance, including, without limitation, our then-current per diem fee and any additional travel, lodging and meals expenses

If this Agreement is for your second (2nd) or later Store, we reserve the right to reduce the duration of such representative's visit or to not provide pre-opening assistance and training

6 4 3 Upon your reasonable request or if we determine that additional training or assistance is necessary, we shall, during the term hereof and subject to the availability of personnel, provide you with additional trained representatives who shall provide on-site remedial training and assistance to your Store personnel. For this additional training and assistance, you shall pay the per diem fee then being charged to franchisees under the System for the services of such trained representatives, plus their costs of travel, lodging, and meals

6 4 4 We reserve the right to conduct additional or refresher training programs, seminars and other related activities regarding the operation of the Store. Such training programs and seminars may be offered to you, your managers or other Store personnel generally, and we may designate that such training programs and seminars are mandatory for you, your General Manager, or other Store personnel. We do not anticipate charging a fee for any refresher training, but you will pay for all of the expenses incurred by your trainees, including travel, lodging, meals and wages

6 5 Franchisee Meetings

We reserve the right to hold meetings for all franchisees and other Loving Cup Store operators, which meetings shall not occur more frequently than annually. We shall not be required to hold such meetings until we believe it is prudent to do so. These meetings may be used to provide additional training, introduce new products or changes to the System, or for other reasons. We reserve the right to designate that attendance at any franchisee meeting is mandatory for you, your General Manager, and/or other Store personnel. We do not anticipate charging a fee for the meeting, but you will pay for all of the expenses incurred by your attendees at the meeting, including travel, lodging, meals and wages

6 6 Hiring Practices

You and the Controlling Principals understand that compliance by all franchisees operating under the System with our training, development and operational requirements is an essential and material element of the System and that we and franchisees operating under the System consequently expend substantial time, effort and expense in training management personnel for the development and operation of their respective Stores. Accordingly, you and the Controlling Principals agree that if you or any Controlling Principal shall, during the term of this Agreement, designate as General Manager or employ in a managerial position any individual who is at the time or was within the preceding ninety (90) days employed in a managerial or supervisory position by us or our affiliates, including, but not limited to, individuals employed to work in Stores operated by us or by our affiliates, or by any other franchisee, then such former employer of such individual shall be entitled to be compensated for the reasonable costs and expenses, of whatever nature or kind, incurred by such employer in connection with the training of such employee. The parties hereto agree that such expenditures may be uncertain and difficult to ascertain and therefore agree that the compensation specified herein reasonably represents such expenditures and is not a penalty. An amount equal to the compensation of such employee for the six (6) month period (or such shorter time, if applicable) immediately prior to the termination of his employment with such former employer shall be paid by you to the former employer prior to such individual assuming the position of General Manager or other managerial position unless otherwise agreed with the former employer. In seeking any individual to serve as General Manager, or in such other managerial position, you and the Controlling Principals shall not discriminate in any manner whatsoever to whom the provisions of this Section apply, on the basis of the compensation required to be paid hereunder, if you or any Controlling Principal designate or employ such individual. The parties hereto expressly acknowledge and agree that no current or former employee of us, you, or of any other entity operating under the System shall be a third party beneficiary of this Agreement or any provision hereof. Notwithstanding the above,

solely for purposes of bringing an action to collect payments due under this Section, such former employer shall be a third party beneficiary of this Section 6.6 We hereby expressly disclaim any representations and warranties regarding the performance of any employee or former employee of ours, or any franchisee under the System who is designated as your General Manager or employed by you or any of the Controlling Principals in any capacity, and we shall not be liable for any losses, of whatever nature or kind, incurred by you or any Controlling Principal in connection therewith

6.7 Compliance with Laws

You shall comply with all requirements of federal, state and local laws, rules, regulations, and orders, including but not limited to obtaining the appropriate licenses and permits required by your local or state government

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

6.8 Compliance with All Other Obligations

You shall comply with all other requirements and perform such other obligations as provided hereunder

ARTICLE 7 **FRANCHISE OPERATIONS**

7.1 Compliance with Standards

You understand the importance of maintaining uniformity among all of the Stores and the importance of complying with all of our standards and specifications relating to the operation of the Store

7.2 Maintenance of Store

You shall maintain the Store in a high degree of sanitation, repair and condition, and in connection therewith shall make such additions, alterations, repairs and replacements thereto (but no others without our prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting or replacement of obsolete signs, furnishings, equipment (including, but not limited to, point of sale or computer hardware and software systems), and decor as we may reasonably direct in order to maintain System-wide integrity and uniformity You shall also obtain, at your cost and expense, any new or additional equipment (including point of sale or computer hardware and software systems), fixtures, supplies and other products and materials which may be reasonably required by us for you to offer and sell new menu items from the Store or to provide the Store services by alternative means, such as through catering arrangements Except as may be expressly provided in the Manuals, no material alterations or improvements or changes of any kind in design, equipment, signs, interior or exterior decor items, fixtures or furnishings shall be made in or about the Store or its premises without our prior written approval, which shall not be unreasonably withheld

In the event we notify you of any additions, alterations, repairs and replacements required to be made to your Store or the Accepted Location and you fail to make such additions, alterations, repairs and replacements within the timeframe we require, we shall have the right, without liability for trespass or tort, to enter the Accepted Location and make the additions, alterations, repairs and replacements, and you agree to promptly reimburse us for our expenses in so acting

7.3 Remodeling and Redecorating

To assure the continued success of the Store, you shall, upon our request, upgrade, remodel and/or redecorate the Store premises, equipment (including point of sale or computer hardware and software systems), signs, interior and exterior decor items, fixtures, furnishings, supplies and other products and materials required for the operation of the Store to our then-current System-wide standards and specifications. We agree that we shall not request such upgrading, remodeling and/or redecorating more frequently than every five (5) years during the term of this Agreement, except that if the Store franchise is transferred pursuant to Article 14, we may request that the transferee remodel and/or redecorate the Store premises as described herein

7.4 Approved Suppliers

You shall comply with all of our standards and specifications relating to the purchase of all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including point of sale and computer hardware and software systems) and other products used or offered for sale at the Store. Except as provided in Sections 7.6 and 7.7 with respect to certain materials bearing the Marks and proprietary products, you shall obtain such items from suppliers (including manufacturers, distributors and other sources) who continue to demonstrate the ability to meet our then-current standards and specifications for food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment and other items used or offered for sale at Stores and who possess adequate quality controls and capacity to supply your needs promptly and reliably, and who have been approved in writing by us prior to any purchases by you from any such supplier, and who have not thereafter been disapproved by us

If you desire to purchase, lease or use any unapproved products or other items, or you design to purchase or lease from an unapproved supplier, you shall submit to us a written request for approval of such product or supplier, or shall request the supplier itself to do so. You shall reimburse the reasonable expenses we incur related to our evaluation of the proposed product or supplier. You shall not purchase or lease any product or from any supplier until and unless such product or supplier has been approved in writing by us. We shall have the right to require that our representatives be permitted to inspect the proposed supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory designated by us, for testing. We reserve the right, at our option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria. Nothing herein shall be construed to require us to approve any particular supplier

You understand and acknowledge that we may periodically receive payments from approved suppliers, such as in the form of rebates, based on such approved suppliers' sales of products and services to our franchisees. We reserve the right to direct that any supplier rebates, refunds, advertising allowances or other consideration payable or paid as a result of your purchases of non-proprietary goods, services or equipment be paid to us or any affiliate that we may designate. If we do so, then you hereby acknowledge that you will not assert any interest in such monies

7 5 Operation of Store in Compliance with Our Standards

To ensure that the highest degree of quality and service is maintained, you shall operate the Store in strict conformity with such of our methods, standards and specifications set forth in the Manuals and as may from time to time otherwise be prescribed in writing. In particular, you also agree

7 5 1 To sell or offer for sale all menu items, products and services required by us and in the method, manner and style of distribution prescribed by us and only as expressly authorized by us in writing in the Manuals or otherwise in writing

7 5 2 To sell and offer for sale only the menu items, products and services that have been expressly approved for sale in writing by us, to refrain from deviating from our standards and specifications without our prior written consent, and to discontinue selling and offering for sale any menu items, products or services which we may, in our sole discretion, disapprove in writing at any time. Notwithstanding the foregoing, you understand and agree that we have the right, in our sole discretion, to grant to certain Loving Cup Stores variances from our standard menu to accommodate regional or local tastes or ingredients, and that nothing in this Agreement requires us to grant to you a similar variance

7 5 3 To maintain in sufficient supply and to use and sell at all times only such food and beverage items, ingredients, other products, materials, merchandise, supplies and paper goods that conform to our standards and specifications, to prepare all menu items in accordance with our recipes and procedures for preparation contained in the Manuals or other written directives, including, but not limited to, the prescribed measurements of ingredients, and to refrain from deviating from our standards and specifications by the use or offer of non-conforming items or differing amounts of any items, without our prior written consent

7 5 4 To permit us or our agents, during normal business hours, to remove a reasonable number of samples of food or non-food items from your inventory or from the Store, without payment therefor, in amounts reasonably necessary for testing by us or an independent laboratory to determine whether such samples meet our then-current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if the supplier of the item has not previously been approved by us or if the sample fails to conform with our reasonable specifications

7 5 5 To purchase or lease and install, at your expense, all fixtures, furnishings, equipment (including point of sale and computer hardware and software systems), decor items, signs, delivery vehicles, and related items as we may reasonably direct from time to time in the Manuals or otherwise in writing, and to refrain from installing or permitting to be installed on or about the Store premises, without our prior written consent, any fixtures, furnishings, equipment, delivery vehicles, decor items, signs, games, vending machines or other items not previously approved as meeting our standards and specifications. If any of the property described above is leased by you from a third party, such lease shall be approved by us, in writing, prior to execution. Our approval shall be conditioned upon such lease containing a provision which permits any interest of yours in the lease to be assigned to us upon the termination or expiration of this Agreement and which prohibits the lessor from imposing an assignment or related fee upon us in connection with such assignment

7 5 6 To grant us and our agents the right to enter upon the Store premises and any catering vehicle, during normal business hours, for the purpose of conducting inspections, to cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request, and, upon notice from us or our agents and without limiting our other rights under this Agreement, to take such steps as may be necessary to correct immediately any deficiencies detected during any such

inspection. Should you, for any reason, fail to correct such deficiencies within a reasonable time as determined by us, we shall have the right and authority (without, however, any obligation to do so) to correct such deficiencies and charge you a reasonable fee for our expenses in so acting, payable by you immediately upon demand. In addition, we may require you to attend remedial training at our headquarters or we may send a trainer to your Store to provide remedial training, at your expense, which may include training or per diem fees and reimbursement of travel and living expenses.

7.5.7 To maintain a competent, conscientious, trained staff and to take such steps as are necessary to ensure that your employees preserve good customer relations and comply with such dress code as we may reasonably prescribe from time to time.

7.5.8 To install and maintain equipment and a telecommunications line in accordance with our specifications to permit us to access and retrieve by telecommunication any information stored on a point of sale system (or other computer hardware and software) you are required to utilize at the Store premises as specified in the Manuals, thereby permitting us to inspect and monitor electronically information concerning your Store, Gross Sales and such other information as may be contained or stored in such equipment and software. You shall obtain and maintain high speed internet access and/or other means of electronic communication, as specified by us from time to time. It shall be a material default under this Agreement if you fail to maintain such equipment, lines and communication methods in operation and accessible to us at all times throughout the term of this Agreement. We shall have access as provided herein at such times and in such manner as we shall from time to time specify.

7.5.9 To honor all credit, charge, courtesy or cash cards or other credit devices required or approved by us. You must obtain our written approval prior to honoring any previously unapproved credit, charge, courtesy or cash cards or other credit devices.

7.5.10 To sell or otherwise issue gift cards or certificates (together "Gift Cards") that have been prepared utilizing the standard form of Gift Card provided or designated by us, and only in the manner specified by us in the Manuals or otherwise in writing. You shall fully honor all Gift Cards that are in the form provided or approved by us regardless of whether a Gift Card was issued by you or another Loving Cup Store. You shall sell, issue, and redeem (without any offset against any Royalty Fees) Gift Cards in accordance with procedures and policies specified by us in the Manuals or otherwise in writing, including those relating to procedures by which you shall request reimbursement for Gift Cards issued by other Loving Cup Stores and for making timely payment to us, other operators of Loving Cup Stores, or a third-party service provider for Gift Cards issued from the Store that are honored by us or other Loving Cup Store operators. We reserve the right to alter the terms and conditions of any gift card or loyalty programs, including reserving the right to apply changes retroactively to benefits already accrued under such programs.

7.5.11 To issue and honor any loyalty cards that we designate or approve for the System. You understand and acknowledge that any loyalty cards we designate or approve are in addition to any loyalty and marketing programs we may require you to participate in related to your point of sale system.

7.6 Proprietary Products

You acknowledge and agree that we and our affiliates may develop for use in the System certain products which are prepared from confidential proprietary recipes and which are trade secrets of us and our affiliates, and other proprietary products bearing the Marks. Because of the importance of quality and uniformity of production and the significance of such proprietary products in the System, it is to the mutual benefit of the parties that we closely control the production and distribution of such proprietary

products. Accordingly, you agree that if such proprietary products become a part of the System, you shall use only our secret recipes and proprietary products and shall purchase all of your requirements for such proprietary products solely from us or from a source designated by us. You further agree to purchase from us or our designated supplier for resale to your customers proprietary products and other merchandise identifying the System as we shall require, such as logoed merchandise, memorabilia and promotional products, in amounts sufficient to satisfy your customer demand.

7.7 Advertising and Promotional Materials

You shall require all advertising and promotional materials, signs, decorations, paper goods (including menus and all forms and stationery used in the Franchised Business), and other items which may be designated by us to bear the Marks in the form, color, location and manner prescribed by us, including, without limitation, notations about the ownership of the Marks.

7.8 Complaints

You shall process and handle all consumer complaints connected with or relating to the Store, and shall promptly notify us by telephone and in writing of all of the following complaints: (i) food related illnesses, (ii) environmental, safety or health violations, (iii) claims exceeding Five Hundred Dollars (\$500.00), and (iv) any other material claims against or losses suffered by you. You shall maintain for our inspection any governmental or trade association inspection reports affecting the Store or equipment located in the Store during the term of this Agreement and for thirty (30) days after the expiration or earlier termination of this Agreement.

7.9 Power of Attorney for Telephone Listings, etc

Upon the execution of this Agreement or at ~~any time~~ any time thereafter, you shall, at our option, execute such forms and documents as we deem necessary, including the agreements attached hereto as Attachment F, to appoint us as your true and lawful attorney-in-fact with full power and authority for the sole purpose of assigning to us only upon the termination or expiration of this Agreement, as required under Section 17.15: (i) all rights to the telephone numbers of the Store and any related and other business listings, and (ii) internet listings, domain names, internet accounts, advertising on the internet or ~~World Wide Web~~ world wide web, websites, listings with search engines, ~~e-mail~~ email addresses or any other similar listing or usages related to the Franchised Business. You agree that you have no authority to and shall not establish any website or listing on the internet or world wide web without our express written consent, which consent may be denied without reason.

7.10 Power of Attorney for Taxes

Upon execution of this Agreement or at any time thereafter, you shall, at our option, execute such forms and documents as we deem necessary, including, but not limited to, Attachment G hereto, to appoint us as your true and lawful attorney-in-fact with full power and authority for the sole purpose of obtaining any and all returns and reports filed by you with any state or federal taxing authority relating to the Franchised Business.

7.11 Customer Surveys

You shall participate in all customer surveys and satisfaction audits, which may require that you provide discounted or complimentary products, provided that such discounted or complimentary sales shall not be included in the Gross Sales of the Store. Additionally, you shall participate in any complaint resolution and other programs as we may reasonably establish for the System, which programs may include, without limitation, providing discounts or refunds to customers.

7 12 Mystery Shopper Service, Quality Assurance

We may designate an independent evaluation service to conduct a "mystery shopper" quality control and evaluation program with respect to Stores. You agree that the Store will participate in such mystery shopper program, as prescribed and required by us, provided that Stores owned by us, our affiliates and our franchisees also will participate in such program to the extent we have the right to require such participation, and you further agree to pay all fees related to such mystery shopper program.

In addition to any mystery shopper program we may require, we reserve the right to contract with a third party quality assurance auditing company to inspect your Store to make sure you are operating according to our specifications and standards. Any fees related to such quality assurance audits are payable by you either directly to the third party provider or to us as a reimbursement.

7 13 Pricing

Where permitted by applicable law, we may provide you written advice regarding the maximum prices which you may charge your customers for menu items, products and services provided or sold under the System. Any such advice, if given at all, will be binding on you and you agree to comply with our pricing guidelines. Nothing contained herein shall be deemed a representation by us that if you follow such guidelines you will, in fact, generate a profit. You are obligated to inform us of all prices charged for products sold by you and to inform us of any modifications of your prices. We may exercise rights with respect to pricing programs and products to the fullest extent permitted by then-applicable law. These rights may include (without limitation) establishing the maximum retail prices which you may charge customers for the programs or products offered and sold at your Store, recommending retail prices, advertising specific retail prices for some or all programs, products or sold by your Store, which prices you agree to observe (sometimes known as "price point advertising campaigns"), engaging in advertising, promotional and related programs which you must participate in and which may directly or indirectly impact your retail prices (such as "buy one, get one free"), and otherwise mandating, directly or indirectly, the maximum retail prices which your Store may charge the public for the programs, products and services it offers. We may engage in any such activity at any time throughout the term of this Agreement. Further, we may engage in such activity only in certain geographic areas (towns, cities, states, regions) and not others, or with regard to certain subsets of franchisees and not others. You acknowledge and agree that any maximum or other prices we establish or suggest may or may not optimize the revenues or profitability of your Store. You entirely waive any and all claims related to our establishment of prices charged at your Store. Irrespective of our right to require you to comply with our maximum pricing policies, you understand and acknowledge that your prices, in general, should be similar to or higher than prices charged by your competitors offering similar products.

7 14 On-line Ordering

We reserve the right to implement one (1) or more on-line ordering programs and designate that your Store must participate in such on-line ordering program(s). You understand and acknowledge that certain on-line ordering programs may require you to contract with a third party provider for on-line ordering and delivery and, in such event, any contract must be approved by us before you may enter into it with the third party provider. You further understand and acknowledge that some Loving Cup Stores may not be required to participate in certain on-line ordering or delivery programs, and that we are not required to grant to you a similar variance. You agree to pay any fees associated with the on-line ordering and/or delivery programs.

7 15 Unapproved Products and Services

In the event you sell any food, beverage, products, novelty items, clothing, souvenirs or perform any services that we have not prescribed, approved or authorized, you shall, immediately upon notice

from us (i) cease and desist offering or providing the unauthorized or unapproved food, beverage, product, premium, novelty item, clothing, souvenir or from performing such services and (ii) pay to us, on demand, a prohibited product or service fine equal to Two Hundred Fifty Dollars (\$250) per day for each day such unauthorized or unapproved food, beverage, product, premium, novelty item, clothing, souvenir or service is offered or provided by you after written notice from us. The prohibited product or service fine shall be in addition to all other remedies available to us under this Agreement or at law.

ARTICLE 8

MARKETING AND PROMOTION

Recognizing the value of marketing and the importance of the standardization of marketing programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

8.1 Participation in Marketing, Brand Development Programs

We may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all Stores operating under the System. You shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by us for each program. In all aspects of these programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, the standards and specifications established by us shall be final and binding upon you.

We may, from time to time, incorporate into the System programs, products or services which we either develop or otherwise obtain rights to, which are offered and sold under names, trademarks and/or service marks other than the Proprietary Marks and which your Store, along with other Loving Cup Stores, will be required to offer and sell. This activity, referred to as "cobranding", may involve changes to the Proprietary Marks and may require you to make modifications to your premises and the furniture, fixtures, equipment, signs and trade dress of your Store. If you receive written notice that we are instituting a cobranding program, you agree promptly to implement that program at your Store at the earliest commercially reasonable time and to execute any and all instruments required to do so. Under no circumstance will any cobranding program increase your Royalty Fees, Brand Development Fee or local marketing expenditure obligations under this Agreement.

8.2 Local Marketing

In addition to the ongoing marketing contributions set forth herein and, subject to any allocation of your expenditures for local marketing to a Cooperative as described in Section 8.4, you shall spend each month throughout the term of this Agreement, once the grand opening marketing campaign described in Section 8.6 has been completed, an amount equal to one percent (1%) of Gross Sales on marketing and promotion of your Store in your Designated Territory ("Local Marketing").

Notwithstanding the foregoing, if your Store participates in a Cooperative, as described in Section 8.4 below, any amount you contribute to the Cooperative will count toward your Local Marketing requirement, provided, however, that in the event your contribution to the Cooperative is less than your Local Marketing requirement, you shall nevertheless spend the difference locally. You shall submit to us, within thirty (30) days of our request, advertising expenditure reports accurately reflecting your Local Marketing expenditures, including verification copies of all marketing and any other information that we require.

8 3 Brand Development Fund

Recognizing the value of uniform marketing, advertising and promotion to the goodwill and public image of the System, you agree that we or our designee shall have the right to establish, maintain and administer a Brand Development Fund (hereinafter referred to as the "Fund") for such national and regional advertising programs as we may deem necessary or appropriate, in our sole discretion, as follows

8 3 1 We shall direct all national and regional brand development programs with sole discretion over the creative concepts, materials, endorsements and media used therein, and the placement and allocation thereof. You understand and acknowledge that the Fund is intended to maximize general public recognition and acceptance of the System and the Marks for the benefit of all Loving Cup Stores operating under the System, and that we undertake no obligation in administering the Fund to ensure that expenditures from the Fund are proportionate or equivalent to your contributions made for your Store, or that any particular Store or franchisee benefits directly or pro rata from the placement of any such advertising

8 3 2 You agree that the Fund may be used to meet any and all costs of maintaining, administering, directing and preparing national and/or regional advertising materials, programs and public relations activities (including, without limitation, the cost of preparing and conducting television, radio, magazine, billboard, newspaper, direct mail and other media programs and activities, for conducting marketing surveys, test marketing, employing advertising agencies to assist therewith, and providing promotional brochures, coupons and other marketing materials to all franchisees of the System). We may also use a portion of the money in the Fund to subsidize the costs of presenting refresher training programs and an annual franchisee meeting. The Fund shall be held in a non-interest bearing account separate from our other funds, and shall not be used to defray any of our general operating expenses, except that we have the right to reimburse ourselves out of the Fund for the total costs (including indirect costs such as salaries for our employees who devote time and effort to Fund related activities and overhead expenses) of developing, producing and distributing any advertising materials and collecting the Brand Development Fee (including attorneys', auditors' and accountants' fees and other expenses incurred in connection with collecting any Brand Development Fee)

8 3 3 A statement of the operations of the Fund shall be prepared annually by our accountants and shall be made available to you on written request. The cost of the statement shall be paid by the Fund. We are not required to have any Fund statement audited, but if we choose to have the Fund audited it will be at the Fund's expense. Except as expressly provided in this Section 8 3, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the Fund

8 3 4 Stores owned by us or our affiliates may, but are not required to, make contributions to the Fund on the same basis as our franchisees

8 3 5 Any monies remaining in the Fund at the end of any year will carry over to the next year. Although the Fund is intended to be of perpetual duration, we may terminate the Fund. The Fund shall not be terminated, however, until all monies in the Fund have been expended for advertising or promotional purposes or returned to contributing Stores or those operated by us, without interest, on the basis of their respective contributions

8 3 6 If we elect to terminate the Fund, we may, in our sole discretion, reinstate the Fund at any time. If we so choose to reinstate the Fund, said reinstated Fund shall be operated as described herein

8 4 Cooperative Marketing Funds

We may, in our discretion, create a regional marketing cooperative ("Cooperative") in any area, or we may approve the creation of such a Cooperative by franchisees in the System, and establish the rules and regulations therefor. Immediately upon our request, you must become a member of the Cooperative for the area in which ~~some or all of your Designated Territory Store~~ is located. In no event may the Store be required to be a member of more than one (1) Cooperative. The Cooperative must be governed in the manner we prescribe. The Cooperative may require each of its members to make contributions thereto in an amount as agreed upon by the Cooperative members. You shall contribute such amounts at the times and in the manner as determined by majority vote of the Cooperative members. Any funds contributed to a Cooperative will be credited against your Local Marketing obligation, provided, however, that if your contributions to a Cooperative are less than your Local Marketing requirement, you shall nevertheless spend the difference locally. The following provisions apply to each Cooperative:

8 4 1 the Cooperative must be organized and governed in a form and manner, and commence operation on a date, that we approve in advance in writing,

8 4 2 the Cooperative must be organized for the exclusive purpose of administering advertising programs and developing, subject to our approval, standardized promotional materials for the members' use in local advertising within the Cooperative's area,

8 4 3 the Cooperative may adopt its own rules and procedures, but such rules or procedures must be approved by us and must not restrict or expand your rights or obligations under this Agreement,

8 4 4 except as otherwise provided in this Agreement, and subject to our approval, any lawful action of the Cooperative (including, without limitation, imposing assessments for local marketing) at a meeting attended by members possessing more than fifty percent (50%) of the total voting power in the Cooperative is binding upon you if approved by members possessing more than fifty percent (50%) of the total voting power possessed by members in attendance, with each Store having one (1) vote, but no franchisee (or commonly controlled group of franchisees) may have more than twenty-five percent (25%) of the vote in the Cooperative regardless of the number of franchised businesses owned,

8 4 5 without our prior written approval, the Cooperative may not use, nor furnish to its members, any advertising or promotional plans or materials, all such plans and materials must be submitted to us in accordance with the procedure set forth in Section 8 5,

8 4 6 Cooperative may require its members to periodically contribute to it in such amounts as it determines,

8 4 7 no later than the fifteenth (15th) day of each month, each member/franchisee must submit its contribution under Section 8 4 6 for the preceding calendar month to the Cooperative, together with such other statements or reports as we or the Cooperative may require, with our prior written approval, and

8 4 8 if an impasse occurs because of a Cooperative members' inability or failure, within forty-five (45) days, to resolve any issue affecting the Cooperative's establishment or effective functioning, upon request of any Cooperative member, that issue must be submitted to us for consideration, and our resolution of such issue is final and binding on all Cooperative members.

8 5 Conduct of Marketing, Our Approval

All marketing and promotion by you in any medium shall be conducted in a professional manner and shall conform to our standards and requirements as set forth in the Manuals or otherwise. You shall obtain our approval of all marketing and promotional plans and materials prior to use if such plans and materials have not been prepared by us or previously approved by us during the twelve (12) months prior to their proposed use. You shall submit such unapproved plans and materials to us not later than fifteen (15) days prior to the date you intend to use them. If we do not provide our specific disapproval of the proposed materials, the proposed materials are deemed to be approved. Any plans and materials that you submit to us for our review will become our property and there will be no restriction on our use or dissemination of such materials. You shall not advertise or use the Marks in any fashion on the internet, ~~World Wide Web~~world wide web or via other means of advertising through telecommunication without our express written consent.

We reserve the right to require you to include certain language on all marketing to be used locally by you or to be used by a Cooperative, including, but not limited to, "Franchises Available" and reference to our telephone number and/or website.

8 6 Grand Opening Marketing

In addition to the ongoing marketing contributions and expenditures set forth herein, you shall be required to spend between Three Thousand Dollars (\$3,000) and Five Thousand Dollars (\$5,000) on a grand opening marketing campaign to promote the opening of the Store. The grand opening marketing campaign shall be conducted generally in the initial sixty (60) days following the Store's opening, or such other period of time as we may designate. All marketing proposed to be used in the grand opening marketing campaign are subject to our review and approval in the manner set forth in this Article 8. Your grand opening marketing campaign must include the give-aways and other promotions as we require. At our request, you must give to us Five Thousand Dollars (\$5,000) for your grand opening marketing campaign and we will conduct this campaign on your behalf.

8 7 Websites

We alone may establish, maintain, modify or discontinue all internet, ~~worldwide~~world wide web and electronic commerce activities pertaining to the System. We have established one (1) or more websites accessible through one (1) or more uniform resource locators ("URLs") and we may design and provide for the benefit of your Store a "click through" subpage at our website for the promotion of your Store. If we establish one (1) or more websites or other modes of electronic commerce and if we provide a "click through" subpage at the website(s) for the promotion of your Store, you must routinely provide us with updated copy, photographs and news stories about your Store suitable for posting on your "click through" subpage. We reserve the right to specify the content, frequency and procedure you must follow for updating your "click through" subpage.

Any websites or other modes of electronic commerce that we establish or maintain may – in addition to advertising and promoting the products, programs or services available at Loving Cup Stores – also be devoted in part to offering Loving Cup franchises for sale and be used by us to exploit the electronic commerce rights which we alone reserve.

In addition to these activities, we may also establish an intranet through which downloads of operations and marketing materials, exchanges of franchisee ~~e-mail~~e-mail, System discussion forums and System-wide communications (among other activities) can be done. You may not maintain your own website, otherwise maintain a presence or advertise on the internet or any other mode of electronic

commerce in connection with your Store, establish a link to any website we establish at or from any other website or page, or at any time establish any other website, electronic commerce presence or URL which in whole or in part incorporates the “Loving Cup” name or any names confusingly similar to the Proprietary Marks

You are not permitted to promote your Store or use any of the Proprietary Marks in any manner on any social or networking websites, such as Facebook, Foursquare, Instagram, LinkedIn or Twitter, without our prior written consent. We will control all social media initiatives. You must comply with our System standards regarding the use of social media in your Store’s operation, including prohibitions on your and the Store’s employees posting or blogging comments about the Store or the System, other than on a website established or authorized by us (“social media” includes personal blogs, common social networks like Facebook, Foursquare, Instagram and MySpace, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). We will provide access to branded social media pages/handles/assets, and you must update these regularly. We reserve the right to conduct collective/national campaigns via local social media on your behalf.

We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any website we establish and maintain, including any and all material you may furnish to us for your ‘click through’ subpage.

8.8 Advisory Council

We may, in our discretion, form an advisory council to work with us to improve the System, the products offered by Loving Cup Stores, advertising conducted by the Brand Development Fund, and any other matters that we deem appropriate. If an advisory council is formed, it will act solely in an advisory capacity, and will not have decision making authority. We will have the right to form, change, merge or dissolve any advisory council. We may develop by-laws for the governance of any advisory council.

If formed, an advisory council will be comprised of our representatives and franchisee representatives. Franchisee representatives may be chosen by us or may be selected by other franchisees in the System. All selected franchisees are required to participate in council-related activities and meetings, and to pay any dues assessed for the administration of that program. We will also pay dues for our representatives. If you participate on an advisory council, you will pay any expenses you incur related to your participation, such as travel and living expenses to attend council meetings.

ARTICLE 9 MARKS

9.1 Use of Marks

We grant you the right to use the Marks during the term of this Agreement in accordance with the System and related standards and specifications.

9.2 Ownership of Marks, Limited License

You expressly understand and acknowledge that

9.2.1 We are the owner or the licensee of the owner of all right, title and interest in and to the Marks and the goodwill associated with and symbolized by them. All references herein to our right, title and interest in the Marks shall be deemed to include the owner’s right, title and interest in the Marks.

9 2 2 Neither you nor any Controlling Principal shall take any action that would prejudice or interfere with the validity of our rights with respect to the Marks Nothing in this Agreement shall give the you any right title, or interest in or to any of the Marks or any service marks, trademarks, trade names, trade dress, logos, copyrights or proprietary materials, except the right to use the Marks and the System in accordance with the terms and conditions of this Agreement for the operation of the Store and only at or from its accepted location or in approved advertising related to the Store

9 2 3 You understand and agree that the limited license to use the Marks granted hereby applies only to such Marks as are designated by us, and which are not subsequently designated by us as being withdrawn from use together with those which may hereafter be designated by us in writing You expressly understand and agree that you are bound not to represent in any manner that you have acquired any ownership or equitable rights in any of the Marks by virtue of the limited license granted hereunder, or by virtue of your use of any of the Marks

9 2 4 You understand and agree that any and all goodwill arising from your use of the Marks and the System shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with your use of the Marks

9 2 5 You shall not contest the validity of or our interest in the Marks or assist others to contest the validity of or our interest in the Marks

9 2 6 You acknowledge that any unauthorized use of the Marks shall constitute an infringement of our rights in the Marks and a material event of default hereunder You agree that you shall provide us with all assignments, affidavits, documents, information and assistance we reasonably request to fully vest in us all such rights, title and interest in and to the Marks, including all such items as are reasonably requested by us to register, maintain and enforce such rights in the Marks

9 2 7 If it becomes advisable at any time, in our discretion, to modify or discontinue use of any Mark and/or to adopt or use one (1) or more additional or substitute proprietary marks, then you shall be obligated to comply with any such instruction by us We shall not have any obligation in such event to reimburse you for your documented expenses of compliance You waive any other claim arising from or relating to any Mark change, modification or substitution We will not be liable to you for any expenses, losses or damages sustained by you as a result of any Mark addition, modification, substitution or discontinuation You covenant not to commence or join in any litigation or other proceeding against us for any of these expenses, losses or damages

9 3 Limitation on Use of Marks

With respect to your licensed use of the Marks pursuant to this Agreement, you further agree that

9 3 1 Unless otherwise authorized or required by us, you shall operate and advertise the Store only under the name "Loving Cup" without prefix or suffix You shall not use the Marks as part of your corporate or other legal name, and shall obtain our approval of a trade name or "d/b/a" prior to filing it with the applicable state authority

9 3 2 During the term of this Agreement and any renewal hereof, you shall identify yourself as the independent owner of the Store in conjunction with any use of the Marks, including, but not limited to, uses on invoices, order forms, receipts and contracts, as well as the display of a notice in

such content and form and at such conspicuous locations on the premises of the Store or any delivery vehicle as we may designate in writing

9 3 3 You shall not use the Marks to incur any obligation or indebtedness on our behalf,

9 3 4 You shall comply with our instructions in filing and maintaining the requisite trade name or fictitious name registrations, and shall execute any documents deemed necessary by us or our counsel to obtain protection of the Marks or to maintain their continued validity and enforceability

9 4 Notification of Infringement or Claim

You shall notify us immediately by telephone and thereafter in writing of any apparent infringement of or challenge to your use of any Mark, of any claim by any person of any rights in any Mark, and you and the Controlling Principals shall not communicate with any person other than us, our counsel and your counsel in connection with any such infringement, challenge or claim We shall have complete discretion to take such action as we deem appropriate in connection with the foregoing, and the right to control exclusively, any settlement, litigation or Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Mark You agree to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in our opinion, reasonably be necessary or advisable to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain the interests of us or any other interested party in the Marks We will indemnify you and hold you harmless from and against any and all claims, liabilities, costs, damages and reasonable expenses for which you are held liable in any proceeding arising out of your use of any of the Marks (including settlement amounts), provided that the conduct of you and the Controlling Principals with respect to such proceeding and use of the Marks is in full compliance with the terms of this Agreement

9 5 Retention of Rights by Us

The right and license of the Marks granted hereunder to you is non-exclusive and we thus have and retain the following rights, among others, subject only to the limitations of Article 1

9 5 1 To grant other licenses for use of the Marks, in addition to those licenses already granted to existing franchisees,

9 5 2 To develop and establish other systems using the Marks or other names or marks and to grant licenses thereto without providing any rights to you, and

9 5 3 To engage, directly or indirectly, through our employees, representatives, licensees, assigns, agents and others, at wholesale, retail or otherwise, in (a) the production, distribution, license and sale of products and services, and (b) the use in connection with such production, distribution and sale, of the Marks and any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or used from time to time by us

ARTICLE 10
CONFIDENTIALITY AND NON-COMPETITION COVENANTS

10 1 Confidential Operations Manuals

10 1 1 To protect our reputation and goodwill and to maintain high standards of operation under the Marks, you shall conduct your business in accordance with the Manuals, other written directives which we may reasonably issue to you from time to time whether or not such directives are included in the Manuals, and any other manuals and materials created or approved for use in the operation of the Franchised Business

10 1 2 You and the Controlling Principals shall at all times treat the Manuals, any of our written directives, and any other manuals and materials, and the information contained therein as confidential and shall maintain such information as trade secret and confidential in accordance with this Article 10 You and the Controlling Principals shall divulge and make such materials available only to such of your employees as must have access to it in order to operate the Store You and the Controlling Principals shall not at any time copy, duplicate, record or otherwise reproduce these materials, in whole or in part, or otherwise make the same available to any person other than those authorized above

10 1 3 The Manuals, written directives, other manuals and materials and any other confidential communications provided or approved by us shall at all times remain our sole property, shall at all times be kept in a secure place on the Store premises, and shall be returned to us immediately upon request or upon termination or expiration of this Agreement

10 1 4 The Manuals, any written directives, and any other manuals and materials issued by us and any modifications to such materials shall supplement and be deemed part of this Agreement

10 1 5 We may from time to time revise the contents of the Manuals and the contents of any other manuals and materials created or approved for use in the operation of the Franchised Business You shall remove and return to us all pages of the Manual that have been replaced or updated by us You expressly agree to comply with each new or changed standard

10 1 6 You shall at all times ensure that the Manuals are kept current and up to date In the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by us at our headquarters shall control

10 2 Confidential Information

10 2 1 Neither you nor any Controlling Principal shall, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person, persons, partnership, association or corporation and following the expiration or termination of this Agreement, they shall not use for their own benefit any confidential information, knowledge or know-how concerning the methods of operation of the Franchised Business which may be communicated to them or of which they may be apprised in connection with the operation of the Store under the terms of this Agreement You and the Controlling Principals shall divulge such confidential information only to such of your employees as must have access to it in order to operate the Store Any and all information, knowledge, know-how, techniques and any materials used in or related to the System which we provide to you in connection with this Agreement, including but not limited to the Manuals, plans and specifications, marketing information and strategies and site evaluation, selection guidelines and techniques, recipes, and the terms of this Agreement, shall be deemed confidential for purposes of this Agreement Neither you nor the Controlling Principals shall at any time, without our prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same

available to any unauthorized person. The covenants in this Section shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon you and each of the Controlling Principals.

10.2.2 You shall require and obtain the execution of covenants similar to those set forth in Section 10.2.1 from your General Manager and all other of your personnel who have received or will have access to confidential information. Such covenants shall be substantially in the form set forth in Attachment D. All of your Principals not required to sign this Agreement as a Controlling Principal also must execute such covenants.

10.2.3 If you, the Controlling Principals, the General Manager or any of your employees develop any new concept, process, product, recipe, or improvement in the operation or promotion of the Store, you are required to promptly notify us and provide us with all necessary related information, without compensation. You and the Controlling Principals acknowledge that any such concept, process, product, recipe, or improvement will become our property, and we may use or disclose such information to other franchisees as we determine to be appropriate.

10.3 Non-Competition

10.3.1 You and the Controlling Principals specifically acknowledge that, pursuant to this Agreement, you and the Controlling Principals will receive valuable training, trade secrets and confidential information, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of us and the System which are beyond the present skills and experience of you and the Controlling Principals and your managers and employees. You and the Controlling Principals acknowledge that such specialized training, trade secrets and confidential information provide a competitive advantage and will be valuable to them in the development and operation of the Store, and that gaining access to such specialized training, trade secrets and confidential information is, therefore, a primary reason why they are entering into this Agreement. In consideration for such specialized training, trade secrets and confidential information (including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of us and the System which are beyond the present skills and experience of you and the Controlling Principals and your managers and employees), you and the Controlling Principals covenant that with respect to you, during the term of this Agreement (or with respect to each of the Controlling Principals, during the term of this Agreement for so long as such individual or entity satisfies the definition of "Controlling Principals" as described in Section 19.17 of this Agreement), except as otherwise approved in writing by us, which approval may be withheld or denied in our sole and absolute discretion, neither you nor any of the Controlling Principals shall, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person(s), partnership or corporation:

(a) Divert, or attempt to divert, any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(b) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures), advise, assist or make loans to, any business located within the United States, its territories, states or commonwealths, or any other country, province, state or geographic area in which we have used, sought registration of or registered the same or similar Marks or operates or licenses others to operate a business under the same or similar Marks, which business is of a character and concept similar to the Store, including a food service business which offers and sells the same or substantially similar food products (a "Competitive Business") without our prior written consent.

10 3 2 With respect to you, and for a continuous uninterrupted period commencing upon the expiration, termination of, or transfer of all of your interest in, this Agreement (or, with respect to each of the Controlling Principals, commencing upon the earlier of (i) the expiration, termination of, or transfer of all of your interest in, this Agreement or (ii) the time such individual or entity ceases to satisfy the definition of "Controlling Principals" as described in Section 19 17 of this Agreement) and continuing for two (2) years thereafter, except as otherwise approved in our sole and absolute discretion, neither you, nor any of the Controlling Principals shall, directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, persons, partnership, or corporation

(a) Divert, or attempt to divert, any business or customer of the Franchised Business hereunder to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System

(b) Employ, or seek to employ, any person who is at that time or was within the preceding ninety (90) days employed by us, or by any other franchisee of ours, or otherwise directly or indirectly induce such person to leave that person's employment, except as may be permitted under any existing franchise agreement between us and you

(c) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures), advise, assist or make loans to any Competitive Business, which business is, or is intended to be, located within a twenty (20) mile radius of the location of any Store in the System

10 3 3 The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect our goodwill or other business interests. The parties agree that each of the covenants herein shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, you and the Controlling Principals expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section

(a) You and the Controlling Principals understand and acknowledge that we shall have the right, in our sole and absolute discretion, to reduce the scope of any covenant set forth in this Section 10 3, or any portion thereof, without their consent, effective immediately upon notice to you, and you and the Controlling Principals agree that they shall comply forthwith with any covenant as so modified which shall be fully enforceable notwithstanding the provisions of Section 19 2 hereof

(b) You and the Controlling Principals expressly agree that the existence of any claims they may have against us, whether or not arising from this Agreement, shall not constitute a defense to our enforcement of the covenants in this Section

(c) Sections 10 3 1(b) and 10 3 2(c) shall not apply to ownership of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held company

10 3 4 You shall require and obtain execution of covenants similar to those set forth in this Section 10 3 (including covenants applicable upon the termination of a person's employment with you) from your General Manager and all other of your personnel who have received or will have access to

training from us. Such covenants shall be substantially in the form set forth in Attachment D. All of your Principals not required to sign this Agreement as a Controlling Principal also must execute such covenants. Notwithstanding the foregoing, we reserve the right, in our sole discretion, to decrease the period of time or geographic scope of the non-competition covenant set forth in Attachment D or eliminate such non-competition covenant altogether for any party that is required to execute such agreement under this Section 10.3.4

10.4 Failure to Comply

You and the Controlling Principals acknowledge that any failure to comply with the requirements of this Section shall constitute a material event of default under Article 17 hereof. You and the Controlling Principals acknowledge that a violation of the terms of this Section would result in irreparable injury to us for which no adequate remedy at law may be available, and you and the Controlling Principals accordingly consent to the issuance of an injunction prohibiting any conduct by you or the Controlling Principals in violation of the terms of this Section. You and the Controlling Principals agree to pay all court costs and reasonable attorneys' fees incurred by us in connection with the enforcement of this Section, including payment of all costs and expenses for obtaining specific performance of, or an injunction against violation of, the requirements of such Section.

ARTICLE 11 **BOOKS AND RECORDS**

11.1 Books and Records

You shall maintain during the term of this Agreement, and shall preserve for at least three (3) years from the dates of their preparation, full, complete and accurate books, records and accounts, including, but not limited to, sales slips, coupons, purchase orders, payroll records, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, journals and ledgers, records of EFT transactions, and backup or archived records of information maintained on any computer system in accordance with generally accepted accounting principles and in the form and manner prescribed by us from time to time in the Manuals or otherwise in writing.

11.2 Reports

In addition to the Royalty Report required by Article 4 hereof, you shall comply with the following reporting obligations:

11.2.1 You shall, at your expense, submit to us, in the form prescribed by us, a report of Gross Sales and a profit and loss statement for each month (which may be unaudited) for you within ten (10) days after the end of each month during the term hereof. Each such statement shall be signed by your treasurer or chief financial officer or comparable officer attesting that it is true, complete and correct,

11.2.2 You shall, at your expense, provide to us a complete annual financial statement (which shall be reviewed) prepared by an independent certified public accountant by April 15th of each year during the term hereof showing the results of the Store's operations during the previous calendar year. We reserve the right to require such financial statements to be audited by an independent certified public accountant satisfactory to us at your cost and expense if an inspection discloses an underpayment of any amount owed to us or an understatement of Gross Sales of two percent (2%) or more in any report, pursuant to Section 11.3, and

11.2.3 You shall also submit to us, for review or auditing, such other forms, reports, records, information and data as we may reasonably designate, and which pertain to the Franchised Business, in the form and at the times and places reasonably required by us, upon request and as specified from time to time in writing

11.3 Inspections, Audits

We or our designees shall have the right, during normal business hours, to review, audit, examine and copy any or all of your books and records as we may require at the Store. You shall make such books and records available to us or our designees immediately upon request. If any required royalty or other payments due to us are delinquent, or if an inspection should reveal that such payments have been understated in any report to us, then you shall immediately pay to us the amount overdue or understated upon demand with interest determined in accordance with the provisions of Section 4.5. If an inspection discloses an underpayment of amounts owed to us or an understatement in any report of Gross Sales of two percent (2%) or more, you shall, in addition, reimburse us for all costs and expenses connected with the inspection (including, without limitation, reasonable accounting and attorneys' fees). These remedies shall be in addition to any other remedies we may have at law or in equity.

11.4 Correction of Errors

You understand and agree that our receipt or acceptance of any of the statements furnished or royalties paid to us (or the cashing of any royalty checks or processing of any EFTs) shall not preclude us from questioning the correctness thereof at any time and, in the event that any inconsistencies or mistakes are discovered in such statements or payments, they shall immediately be rectified by you and the appropriate payment shall be made by you.

11.5 Authorization of Us

You hereby authorize (and agree to execute any other documents deemed necessary to effect such authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors and other persons or entities with which you do business to disclose to us any requested financial information in their possession relating to you or the Store. You authorize us to disclose data from your reports, if we determine, in our sole and absolute discretion, that such disclosure is necessary or advisable, which disclosure may include disclosure to prospective or existing franchisees or other third parties.

11.6 We are Attorney-in-Fact

Notwithstanding any forms and documents which may have been executed by you under Section 7.10, you hereby appoint us as your true and lawful attorney-in-fact with full power and authority, for the sole purpose of obtaining any and all returns and reports filed by you with any state and/or federal taxing authority pertaining to the Franchised Business. This power of attorney shall survive the expiration or termination of this Agreement.

ARTICLE 12 **INSURANCE**

12.1 You shall procure, prior to commencing construction of the Store, and shall maintain in full force and effect at all times during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required hereunder for events having occurred during the term of this Agreement) at your expense, an insurance policy or policies protecting you and us, our successors and assigns, our affiliates, and our respective officers, directors, shareholders, partners, agents, representatives, independent contractors and employees of each of them against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense whatsoever.

arising or occurring upon or in connection with the Store. Such insurance policies must be written by an insurance company acceptable to us and which has a rating of "A" or higher with A M Best Company.

12.2 Such policy or policies shall be written by a responsible, duly licensed carrier or carriers reasonably acceptable to us and shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified by us from time to time), in accordance with standards and specifications set forth in writing, any insurance that you must have according to the terms of the lease for the Accepted Location and as required by applicable law. You must obtain and maintain at your own expense the insurance coverage that we and your Store's landlord periodically require. You must also meet the other insurance-related obligations in the Franchise Agreement. Our specific insurance requirements will be included in the Manuals, and these requirements may change over time. You must comply with any modified insurance requirement that we specify. You must obtain the required insurance coverages not later than the date you acquire the approved location for your Store.

You must maintain the following insurance coverages, at a minimum:

- (1) public general liability insurance, including products liability coverage, in the minimum amount of \$Two Million Dollars (\$2,000,000) combined single limit,
- (2) fire and extended coverage insurance on the premises of your Store with full replacement coverage,
- (3) fire-legal liability coverage in an amount equal to the value of the franchised location,
- (4) business interruption insurance in amounts sufficient to cover twelve (12) months of continuing fees payable to us, twelve (12) months of rent, twelve (12) months of insurance premiums, and other fixed expenses,
- (5) worker's compensation and unemployment insurance and all other insurance required by law, and
- (6) any other insurance that may be required by the lease or mortgage for your premises or that we may require in the future.

We may require you to buy insurance coverage for other risks or to increase the amount of coverage of certain risks. We may also require different or additional insurance during the term of your Franchise Agreement. You must purchase your insurance from an insurance provider with an A M Best rating of "A" or higher. We reserve the right to designate the specific insurance company or broker that you must use. You must provide us with a certificate of insurance showing that you have obtained the required insurance before your Store opens. You must also provide us with updated certificates of insurance prior to expiration of each required policy.

Each insurance policy must:

- (1) name us and our respective officers, directors, partners, and employees as additional named insureds and contain a waiver of all subrogation rights against us,
- (2) provide at least the types and minimum amounts of coverage specified in the Franchise Agreement or otherwise in the Manuals, and

(3) provide for thirty (30) days' prior written notice to us of any material modification, cancellation, or expiration of any policy

Our insurance requirements will not limit your liability under the Franchise Agreement. You must pay all amounts owed to us or our affiliates, regardless of the limits of your insurance policies. If you fail or refuse to obtain the required insurance coverages, we may obtain insurance on your behalf and you must reimburse us for the premium costs.

We strongly advise you to consult with an insurance professional, to determine the sufficiency of our minimum coverages for your Store.

12.3 Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by us, nor shall your performance of that obligation relieve you of liability under the indemnity provisions set forth in Article 15 of this Agreement.

12.4 All general liability and property damage policies shall contain a provision that we, our affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to us or our servants, agents or employees by reason of the negligence of you or your servants, agents or employees.

12.5 Before construction of the Store commences, and thereafter within ten (10) days prior to the expiration of any such policy, you shall deliver to us Certificates of Insurance evidencing the existence and continuation of proper coverage with limits not less than those required hereunder. In addition, if requested by us, you shall deliver to us a copy of the insurance policy or policies required hereunder. All insurance policies required hereunder, with the exception of workers' compensation, shall name us, our affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional named insureds, and shall expressly provide that any interest of same therein shall not be affected by any breach by you of any policy provisions. Further, all insurance policies required hereunder shall expressly provide that no less than thirty (30) days' prior written notice shall be given to us in the event of a material alteration to or cancellation of the policies.

12.6 Should you, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by us in writing, we shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance and to charge same to you, which charges shall be payable by you immediately upon notice together with a ten percent (10%) administrative fee. The foregoing remedies shall be in addition to any other remedies we may have at law or in equity.

12.7 Upon written request by us, you shall procure from your insurance carrier or carriers a report of claims made and reserves set against your insurance policies.

12.8 We reserve the right to modify the types of insurance coverages and amounts of coverage that you are required to maintain for the Store, and you agree to comply with any such changes, at your expense.

ARTICLE 13

DEBTS AND TAXES

13 1 Taxes

You shall promptly pay when due all Taxes (as defined below), levied or assessed, and all accounts and other indebtedness of every kind incurred by you in the conduct of the Franchised Business under this Agreement. Without limiting the provisions of Article 15, you shall be solely liable for the payment of all Taxes and shall indemnify us for the full amount of all such Taxes and for any liability (including penalties, interest and expenses) arising from or concerning the payment of Taxes, whether such Taxes were correctly or legally asserted or not. You shall submit a copy of all tax filings sent to federal, state and local tax authorities to us within ten (10) business days after such filing has been made with the appropriate taxing authority.

The term "Taxes" means any present or future taxes, levies, imposts, duties or other charges of whatever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the Franchised Business, the payment of monies, taxes imposed on the Royalty Fees paid to us, or the exercise of rights granted pursuant to this Agreement, whether imposed upon you or us.

13 2 Payments to Us

Each payment to be made to us hereunder shall be made free and clear and without deduction for any Taxes.

13 3 Tax Disputes

In the event of any bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with the procedures of the taxing authority or applicable law. However, in no event shall you permit a tax sale or seizure by levy of execution or similar writ or warrant or attachment by a creditor to occur against the premises of the Franchised Business or any improvements thereon.

13 4 Compliance with Laws

You shall comply with all federal, state and local laws, rules and regulations and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the Franchised Business, including, without limitation, licenses to do business, fictitious name registrations, sales tax permits, fire clearances, health permits, certificates of occupancy and any permits, certificates or licenses required by any environmental law, rule or regulation.

13 5 Notification of Action or Proceeding

You shall notify and deliver to us, in writing within five (5) days of the commencement of any action, suit or proceeding and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchised Business.

ARTICLE 14

TRANSFER OF INTEREST

14 1 Transfer by Us

We shall have the right to assign this Agreement and all of our attendant rights and privileges to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of our functions (i) the assignee shall, at the time of such assignment, be financially responsible and economically capable of performing our obligations, and (ii) the assignee shall expressly assume and agree to perform such obligations

You expressly affirm and agree that we may sell our assets, our rights to the Marks or to the System outright to a third party, may go public, may engage in a private placement of some or all of our securities, may merge, acquire other corporations, or be acquired by another corporation, may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring, and, with regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of "Loving Cup Franchise Company LLC," as Franchisor Nothing contained in this Agreement shall require us to remain in the frozen dessert business or to offer the same products and services, whether or not bearing the Marks, in the event that we exercise our right to assign our rights in this Agreement

14 2 Transfer by You

14 2 1 You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted rights under this Agreement in reliance on the business skill, financial capacity and personal character of you and the Controlling Principals Accordingly, neither you nor any Controlling Principal, nor any successor or assignee of you or any Controlling Principal, shall sell, assign (including but not limited to by operation of law, such as an assignment under bankruptcy or insolvency laws, in connection with a merger, divorce or otherwise), transfer, convey, give away, pledge, mortgage or otherwise encumber any direct or indirect interest in this Agreement, in the Store and/or any of the Store's material assets (other than in connection with replacing, upgrading or otherwise dealing with such assets as required or permitted by this Agreement), in you or in any Controlling Principal that is an entity, in each case without our prior written consent Any purported assignment or transfer, by operation of law or otherwise, made in violation of this Agreement shall be null and void and shall constitute a material event of default under this Agreement

14 2 2 If you wish to transfer all or part of your interest in the Store, any of the Store's material assets (except as provided in Section 14 2 1 above) or this Agreement, or if you or a Controlling Principal wishes to transfer or permit a transfer of any ownership interest in you or in a Controlling Principal that is an entity, then in each such case (any or all of which are referred to in this Article 14 as a "Restricted Transfer"), transferor and the proposed transferee shall apply to us for our consent We shall not unreasonably withhold our consent to a Restricted Transfer We may, in our sole discretion, require any or all of the following as conditions of our approval

(a) All of the accrued monetary obligations of you or any of your affiliates and all other outstanding obligations to us arising under this Agreement or any other agreement shall have been satisfied in a timely manner and you shall have satisfied all trade accounts and other debts, of whatever nature or kind, in a timely manner,

(b) You and your affiliates shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between you or any of your affiliates and us or any of our affiliates at the time of transaction

(c) The transferor and its principals (if applicable) shall have executed a general release, in a form reasonably satisfactory to us, of any and all claims against us, our officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement and federal, state and local laws, rules and regulations,

(d) The transferee shall demonstrate to our reasonable satisfaction that transferee meets the criteria considered by us when reviewing a prospective franchisee's application for a franchise, including, but not limited to, our educational, managerial and business standards, transferee's good moral character, business reputation and credit rating, transferee's aptitude and ability to conduct the business franchised herein (as may be evidenced by prior related business experience or otherwise), transferee's financial resources and capital for operation of the business, and the geographic proximity and number of other Stores owned or operated by transferee,

(e) The transferee shall enter into a written agreement, in a form reasonably satisfactory to us, assuming full, unconditional, joint and several liability for, and agreeing to perform from the date of the transfer, all obligations, covenants and agreements contained in this Agreement, and, if transferee is a corporation or a partnership, transferee's shareholders, partners or other investors, as applicable, shall execute such agreement as transferee's principals and guarantee the performance of all such obligations, covenants and agreements,

(f) The transferee shall execute, for a term ending on the expiration date of this Agreement and with such renewal terms as may be provided by this Agreement, the standard form franchise agreement then being offered to new System franchisees and other ancillary agreements as we may require for the Store, which agreements shall supersede this Agreement and its ancillary documents in all respects and the terms of which agreements may differ from the terms of this Agreement, including, without limitation, the then-current Royalty Fee and Brand Development Fee, provided, however, that the transferee shall not be required to pay any initial franchise fee,

(g) The transferee, at its expense, shall renovate, modernize and otherwise upgrade the Store and, if applicable, any catering vehicles to conform to the then-current standards and specifications of the System, and shall complete the upgrading and other requirements which conform to the System-wide standards within the time period reasonably specified by us,

(h) The transferor shall remain liable for all of the obligations to us in connection with the Store incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by us to evidence such liability,

(i) At the transferee's expense, the transferee, the transferee's General Manager and/or any other applicable Store personnel shall complete any training programs then in effect for franchisees of Stores upon such terms and conditions as we may reasonably require,

(j) You shall pay to us a transfer fee equal to two-thirds (2/3) of our then-current initial franchise fee for a single unit franchise, if the transfer is to a new franchisee for the System, or one-third (1/3) of our then-current initial franchise fee for a single unit franchise, if the transfer is to an existing franchisee in the System, to reimburse us for reviewing the application to transfer, including, without limitation, training expenses, legal and accounting fees,

(k) If the transferee is a corporation, limited liability company or a partnership, the transferee shall make and will be bound by any or all of the representations, warranties and covenants set forth at Article 6 as we request. Transferee shall provide to us evidence satisfactory to us that the terms of such Section have been satisfied and are true and correct on the date of transfer.

14.2.3 You shall not grant a security interest in the Store or in any of your assets without our prior written consent, which shall not be unreasonably withheld. In connection therewith, the secured party will be required by us to agree that in the event of any default by you under any documents related to the security interest, we shall have the right and option to be substituted as obligor to the secured party and to cure any default of yours.

14.2.4 You acknowledge and agree that each condition which must be met by the transferee is reasonable and necessary to assure such transferee's full performance of the obligations hereunder.

14.3 Transfer to a Corporation or Limited Liability Company

In the event the proposed transfer is from one (1) or more individuals to a corporation or limited liability company formed solely for the convenience of ownership, our consent may be conditioned upon any of the requirements set forth at Section 14.2.2, except that the requirements set forth at Sections 14.2.2(c), 14.2.2(d), 14.2.2(f), 14.2.2(g), 14.2.2(i), 14.2.2(j) and 14.2.2(k) shall not apply. With respect to a transfer to a corporation formed for the convenience of ownership, you shall be the owner of all of the voting stock or interest of the corporation and if you are more than one (1) individual, each individual shall have the same proportionate ownership interest in the entity as he had in you prior to the transfer. A transfer under this Section 14.3 may occur one (1) time only.

14.4 Our Right to Purchase Business

14.4.1 If you wish to transfer all or part of your interest in the Store or this Agreement or if you or a Controlling Principal wish to transfer any ownership interest in you, pursuant to any bona fide offer received from a third party to purchase such interest, then such proposed seller shall promptly notify us in writing of each such offer, and shall provide such information and documentation relating to the offer as we may require. We shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all documentation required by us describing such offer, to send written notice to the seller that we intend to purchase the seller's interest on the same terms and conditions offered by the third party. In the event that we elect to purchase the seller's interest, closing on such purchase must occur within the latest of (i) sixty (60) days from the date of notice to the seller of the election to purchase by us, (ii) sixty (60) days from the date we receive or obtain all necessary documentation, permits and approvals, or (iii) such other date as the parties agree upon in writing. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by us as in the case of an initial offer. Our failure or refusal to exercise the option afforded by this Section 14.4 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Article 14, with respect to a proposed transfer.

(a) In the case of a Restricted Transfer involving a bona fide purchase offer, then such proposed seller shall promptly notify us in writing of each such offer, and shall provide such information and documentation relating to the offer as we may require. We shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all documentation required by us describing such offer, to send written notice to the seller that we intend to purchase the interest proposed to be transferred in the Restricted Transfer on the same terms and conditions offered by the proposed purchaser (the "Offer Terms"). In the event that we elect to purchase

the seller's interest, closing on such purchase must occur within the latest of (i) sixty (60) days from the date of notice to the seller of the election to purchase by us, (ii) sixty (60) days from the date we receive or obtain all necessary documentation, permits and approvals, or (iii) such other date as the parties agree upon in writing. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by us as in the case of an initial offer. Our failure or refusal to exercise the option afforded by this Section 14.4 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Article 14 with respect to a proposed transfer.

(b) Notwithstanding the provisions of Section 14.4.1(a) above, where the Restricted Transfer (alone or together with any other Restricted Transfer or event effected within the prior twenty-four (24) month period) results in a "Change of Control", we may elect, in our sole discretion, to treat the notice given pursuant to such Section 14.4.1(a) as an offer to assign to us all of your rights under this Agreement and to the Store (including lease and contract rights and other assets of you and your affiliates used in connection with the Store, excluding the assets of your benefit plans) (collectively, the "Store Interests"). As used in this Section 14.4.1(b), Change of Control means any circumstance resulting in one (1) or more of your Controlling Principals ceasing to be a Principal and/or the addition of any new Principal. In such case, we shall notify you of the special election provided for in this Section 14.4.1(b) at the time we exercise our option as provided in Section 14.4.1(a). The terms of such purchase shall be the same as the Offer Terms (subject to the other provisions of this Section 14.4), but the price shall be the lesser of (1) the Implied Market Price or (2) the fair market value of the Store Interests, determined in a manner consistent with Section 18.12.1. As used herein, "Implied Market Price" shall mean an amount equal to the total price to be paid by the transferee under the Offer Terms, divided by the percentage (expressed as a decimal) of ownership of you proposed to be acquired (directly or indirectly) by the transferee, less the fair market value (determined as provided in Section 18.12.1) of any assets included in the Restricted Transfer that are not related to the Store. If you have more than one (1) Store, then the Implied Market Price shall, unless otherwise agreed by us and you, be allocated among all Stores equally.

(c) We may assign our rights under this Section 14.4 to any other person or entity, subject to Section 14.1 above.

(d) It shall be a material obligation of yours under this Agreement to cause any transferor and transferee described in this Article 14 to perform all of the obligations imposed on such persons under this Article 14.

14.4.2 In the event an offer from a third party provides for payment of consideration other than cash or involves certain intangible benefits, we may elect to purchase the interest proposed to be sold for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the reasonable cash equivalent of the non-cash part of the Offer Terms, then such amount shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and each shall pay one-half (1/2) of the appraisal fees. In the event that we exercise our right of first refusal herein provided, we shall have the right to set off against any payment therefor (i) all fees for any such independent appraiser due from you hereunder and (ii) all amounts due from you to us.

14.4.3 Failure to comply with the provisions of this Section prior to the transfer of any interest in you, the Store or this Agreement shall constitute a material event of default under this Agreement.

14 5 Death or Disability

14 5 1 Upon your death (if you are a natural person) or upon the death of any Controlling Principal who is a natural person and who has an interest in this Agreement, the Store or you (the "Deceased"), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party approved by us within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by us. If the distributee is not approved by us, then the distributee shall transfer such interest to a third party approved by us within twelve (12) months after the death of the Deceased.

14 5 2 Upon your permanent disability (if you are a natural person) or upon the permanent disability of any Controlling Principal who is a natural person and who has an interest in this Agreement, the Store or you, we may, in our reasonable discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Article 14 within six (6) months after notice to you. "Permanent disability" shall mean any physical, emotional or mental injury, illness or incapacity which would prevent a person from performing the obligations set forth in this Agreement or in the guaranty made part of this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by us, upon examination of the person, or if the person refuses to submit to an examination, then such person automatically shall be deemed permanently disabled as of the date of such refusal for the purpose of this Section 14 5. The costs of any examination required by this Section shall be paid by us.

14 5 3 Upon the death or claim of permanent disability of you or any Controlling Principal, you or a representative of yours must notify us of such death or claim of permanent disability within ten (10) days of its occurrence. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as described in this Section for any *inter vivos* transfer. If an interest is not transferred upon death or permanent disability as required in this Section, then such failure shall constitute a material event of default under this Agreement.

14 5 4 In order to prevent any interruption of the Store operations which would cause harm to the Store, thereby depreciating the value thereof, you authorize us, who may, at our option, in the event that you are absent for any reason or are incapacitated by reason of illness and are unable, in our sole and reasonable judgment, to operate the Store to our required standards, operate the Store for so long as we deem necessary and practical, and without waiver of any other rights or remedies we may have under this Agreement. All monies from the operation of the Store during such period of operation by us shall be kept in a separate account, and the expenses of the Store, including reasonable compensation and expenses for our representative, shall be charged to said account. If, as herein provided, we temporarily operate the Store franchised herein for you, you agree to indemnify and hold harmless us and any representative of ours who may act hereunder, from any and all acts which we may perform, as regards the interests of you or third parties. If we temporarily operate the Store franchised herein on your behalf, you also agree to pay us the then-current fee for the management and maintenance of the Store in your absence.

14 6 No Waiver of Claims

Our consent to a transfer of any interest described herein shall not constitute a waiver of any claims which we may have against the transferring party, nor shall it be deemed a waiver of our right to demand material and full compliance with any of the terms of this Agreement by the transferee.

14 7 Transfer Between Owners

If any person holding an interest in you, this Agreement or the Store (other than you or a Controlling Principal, which parties shall be subject to the provisions set forth above) transfers such interest, whether to another Principal or to a new Principal, then you shall promptly submit to us a request for our approval of such proposed transfer in writing and shall provide such information relative thereto as we may reasonably request prior to such transfer, together with payment of One Thousand Five Hundred Dollars (\$1,500). Such transferee may not be a competitor of ours. Such transferee will be your Principal and as such will have to execute a confidentiality agreement and ancillary covenants not to compete in the form then required by us, which form shall be in substantially the same form attached hereto as Attachment D (see Sections 10 2 2 and 10 3 4). We also reserve the right to designate the transferee as one of the Controlling Principals. Notwithstanding the provisions contained in Section 14 2 to the contrary, the Controlling Principals may freely transfer their ownership interests in you among themselves and to their family members (or to trusts for the benefit of such family members), and our right of first refusal shall be inapplicable with respect to such transfers, provided you provide us with thirty (30) days prior written notice of such transfer, which notice shall include the names and percentages transferred.

ARTICLE 15 INDEMNIFICATION

15 1 Indemnification by You

You and each of the Controlling Principals shall, at all times, indemnify and hold harmless to the fullest extent permitted by law us, our successors and assigns, their respective partners and affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them ("Indemnitees"), from all "losses and expenses" (as defined in Section 15 4 below) incurred in connection with any action, suit, proceeding, claim, demand, investigation or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) which arises out of or is based upon any of the following:

15 1 1 The infringement, alleged infringement, or any other violation or alleged violation by you or any of the Controlling Principals of any patent, trademark or copyright or other proprietary right owned or controlled by third parties (except as such may occur with respect to any right to use the Marks, any copyrights or other proprietary information granted hereunder pursuant to Article 10), including, but not limited to, the unauthorized use of any image, likeness or recording of a public figure,

15 1 2 The violation, breach or asserted violation or breach by you or any of the Controlling Principals of any federal, state or local law, regulation, ruling, standard or directive or any industry standard,

15 1 3 Libel, slander or any other form of defamation of us, the System or any franchisee operating under the System, by you or by any of the Controlling Principals,

15 1 4 The violation or breach by you or by any of the Controlling Principals of any warranty, representation, agreement or obligation in this Agreement or in any other agreement between you or any of your affiliates and us and our Indemnitees, and

15 1 5 Acts, errors, or omissions of you, any of your affiliates and any of the Controlling Principals and the officers, directors, shareholders, partners, agents, representatives, independent contractors and employees of you and your affiliates in connection with the establishment

and operation of the Store, including, but not limited to, any acts, errors or omissions of any of the foregoing in the operation of any motor vehicle. The parties understand and agree that we cannot and do not exercise control over the manner of operation of any motor vehicles used by, or on behalf of, you or any employee, agent or independent contractor of yours and that the safe operation of any motor vehicle is, therefore, entirely your responsibility.

15.2 Notification of Action or Claim

You and each of the Controlling Principals agree to give us prompt notice of any such action, suit, proceeding, claim, demand, inquiry, or investigation. At the expense and risk of you and each of the Controlling Principals, we may elect to assume (but under no circumstance are we obligated to undertake) or appoint associate counsel of our own choosing with respect to, the defense and/or settlement of any such action, suit, proceeding, claim, demand, inquiry or investigation. Such an undertaking by us shall, in no manner or form, diminish the obligation of you and each of the Controlling Principals to indemnify the Indemnitees and to hold them harmless.

15.3 We May Settle

In order to protect persons or property, or our reputation or goodwill, or the reputation or goodwill of others, we may, at any time and without notice, as we in our reasonable judgment deem appropriate, consent or agree to settlements or take such other remedial or corrective action as we deem expedient with respect to the action, suit, proceeding, claim, demand, inquiry or investigation if, in our reasonable judgment, there are reasonable grounds to believe that

15.3.1 any of the acts or circumstances enumerated in Section 15.1.1 through 15.1.4 above have occurred, or

15.3.2 any act, error, or omission as described in Section 15.1.5 may result directly or indirectly in damage, injury, or harm to the System, any person or any property.

15.4 Losses and Expenses

All losses and expenses incurred under this Article 15 shall be chargeable to and paid by you or any of the Controlling Principals pursuant to your obligations of indemnity under this Section, regardless of any actions, activity or defense undertaken by us or the subsequent success or failure of such actions, activity or defense.

As used in this Article 15, the phrase "losses and expenses" shall include, without limitation, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, expenses, lost profits, reasonable attorneys' fees, court costs, settlement amounts, judgments, compensation for damages to our reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

15.5 Indemnitees Do Not Assume Liability

The Indemnitees do not hereby assume any liability whatsoever for acts, errors, or omissions of any third party with whom you, any of the Controlling Principals, your affiliates or any of the officers, directors, shareholders, partners, agents, representatives, independent contractors and employees of you or your affiliates may contract, regardless of the purpose. You and each of the Controlling Principals shall hold harmless and indemnify the Indemnitees for all losses and expenses which may arise out of any acts, errors or omissions of you, the Controlling Principals, your affiliates, the officers, directors, shareholders,

partners, agents, representatives, independent contractors and employees of you and your affiliates and any such other third parties without limitation and without regard to the cause or causes thereof or the negligence of us or any other party or parties arising in connection therewith and whether such negligence be sole, joint or concurrent, or active or passive

15.6 Recovery from Third Parties

Under no circumstances shall the Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against you or any of the Controlling Principals. You and each of the Controlling Principals agree that the failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable from you or any of the Controlling Principals by the Indemnitees.

15.7 Survival of Terms

You and the Controlling Principals expressly agree that the terms of this Article 15 shall survive the termination, expiration or transfer of this Agreement or any interest herein.

ARTICLE 16 **RELATIONSHIP OF THE PARTIES**

16.1 No Fiduciary Relationship

The parties acknowledge and agree that you shall be an independent contractor and this Agreement does not create a fiduciary relationship between them, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose. You understand and agree that you are and will be an independent contractor under this Agreement. Nothing in this Agreement may be interpreted as creating a partnership, joint venture, agency, employment or fiduciary relationship of any kind. Your employees are not our employees. Neither you nor any of your employees whose compensation you pay may in any way, directly or by implication, shall be considered our employee for any purpose, regardless of inclusion in mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. We will not have the power to hire or terminate the employment of your employees. You expressly agree, and will never claim otherwise, that our authority under this Agreement to determine that certain of your employees are qualified to perform certain tasks for your Store does not directly or indirectly vest in us the power to influence the employment terms of any such employee.

You agree that you alone are to exercise day-to-day control over all operations, activities and elements of your Store and that under no circumstance shall we do so or be deemed to do so. You further acknowledge and agree, and will never claim otherwise, that the various restrictions, prohibitions, specifications and procedures of the System which you are required to comply with under this Agreement, whether set forth in our Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your Franchised Business, which you alone control, but only constitute standards you must adhere to when exercising your control of the day-to-day operations of your Store.

16.2 Independent Contractor

During the term of this Agreement, you shall hold yourself out to the public as an independent contractor conducting your Store operations pursuant to the rights granted by us. You agree to take such action as shall be reasonably necessary to that end, including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Store premises established for the purposes hereunder or on any

delivery vehicle and on all letterhead, business cards, forms, and as further described in the Manuals. We reserve the right to specify in writing the content and form of such notice.

You acknowledge and agree that any training we provide for your employees is geared to impart to those employees, with your ultimate authority, the various procedures, protocols, systems and operations of a Loving Cup Store and in no fashion reflects any employment relationship between us and such employees. If it is ever asserted that we are the employer, joint employer or co-employer of any of your employees in any private or government investigation, action, proceeding, arbitration or other setting, you irrevocably agree to assist us in defending said allegation, appearing at any venue requested by us to testify on our behalf, participating in depositions or other appearances, or preparing affidavits rejecting any assertion that we are the employer, joint employer or co-employer of any of your employees.

16.3 Sole and Exclusive Employer of Your Employees

You hereby irrevocably affirm, attest and covenant your understanding that your employees are employed exclusively by you and in no fashion are any such employee employed, jointly employed or co-employed by us. You further affirm and attest that each of your employees is under your exclusive dominion and control and never under our direct or indirect control in any fashion whatsoever. You alone hire each of your employees, set their schedules, establish their compensation rates, and pay all salaries, benefits and employment-related liabilities (such as workers' compensation insurance premiums/payroll taxes/Social Security contributions/unemployment insurance premiums). You alone have the ability to discipline or terminate your employees to the exclusion of us, and you acknowledge that we have no such authority or ability. You further attest and affirm that any minimum staffing requirements established by us are solely for the purpose of ensuring that the Store is at all times staffed at those levels necessary to operate the Store in conformity with the System and the products, services, standards of quality and efficiency, and other Loving Cup brand attributes known to and desired by the consuming public and associated with the Proprietary Marks. You affirm, warrant and understand that you may staff the Store with as many employees as you desire at any time so long as our minimal staffing levels are achieved. You also affirm and attest that any recommendations you may receive from us regarding salaries, hourly wages or other compensation for employees are recommendations only, designed to assist you to efficiently operate your Store, and that you are entirely free to disregard our recommendations regarding such employee compensation. Moreover, you affirm and attest that any training provided by us for your employees is geared to impart to those employees, with your ultimate authority, the various procedures, protocols, systems and operations of a Loving Cup Store and in no fashion reflects any employment relationship between us and such employees. Finally, should it ever be asserted that we are the employer, joint employer or co-employer of any of your employees in any private or government investigation, action, proceeding, arbitration or other setting, you irrevocably agree to assist us in defending said allegation, including (if necessary) appearing at any venue requested by us to testify on our behalf (and, as may be necessary, submitting yourself to depositions, other appearances and/or preparing affidavits dismissive of any allegation that we are the employer, joint employer or co-employer of any of your employees). To the extent we are the only named party in any such investigation, action, proceeding, arbitration or other setting to the exclusion of you, should any such appearance by you be required or requested by us, we will recompense you the reasonable costs associated with your appearing at any such venue.

16.4 You are Not Authorized

You understand and agree that nothing in this Agreement authorizes you or any of the Controlling Principals to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name or the Marks, and that we shall in no event assume liability for, or be

deemed liable under this Agreement as a result of, any such action, or for any act or omission of you or any of the Controlling Principals or any claim or judgment arising therefrom

ARTICLE 17 **TERMINATION**

17 1 Automatic Termination – No Right to Cure

17 1 1 You acknowledge and agree that each of your obligations described in this Agreement is a material and essential obligation of yours, that non-performance of such obligations will adversely and substantially affect us and the System, and that our exercise of the rights and remedies set forth herein is appropriate and reasonable

17 1 2 You shall be in default under this Agreement, and all rights granted to you herein shall automatically terminate without notice to you, if you, or any of your partners, if you are a partnership, or any of your officers, directors, shareholders, or members, if you are a corporation or limited liability company, shall become insolvent or make a general assignment for the benefit of creditors, if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you, if you are adjudicated a bankrupt or insolvent, if a bill in equity or other proceeding for the appointment of a receiver or other custodian for you or your business or assets is filed and consented to by you, if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction, if proceedings for a composition with creditors under any state or federal law should be instituted by or against you, if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a *supersedeas* bond is filed), if you are dissolved, if execution is levied against your business or property, if suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed within thirty (30) days, or if the real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable

17 1 3 You shall be deemed to be in material default and we may, at our option, terminate this Agreement and all rights granted hereunder, without affording you any opportunity to cure the default, (except as otherwise stated below), effective immediately upon notice to you, upon the occurrence of any of the following events

(a) If you operate the Store or sell any products or services authorized by us for sale at the Store at a location which has not been approved by us,

(b) If you fail to acquire an Accepted Location for the Store within the time and in the manner specified in Article 2,

(c) If you fail to construct or remodel the Store in accordance with the plans and specifications provided to you under Section 5 3 as such plans may be adapted with our approval in accordance with Section 2 5,

(d) If you fail to open the Store for business within the period specified in Section 2 6 hereof,

(e) If you at any time cease to operate or otherwise abandon the Store (you will be deemed to have abandoned the Store if you do not operate it for three (3) consecutive days, unless the closure is due to circumstances beyond your control or we have consented to such closure), or lose the right to possession of the premises (including, without limitation, if the lease or any other agreement by

which you have the right to possess the premises is terminated), or otherwise forfeit the right to do or transact business in the jurisdiction where the Store is located, provided, however, that this provision shall not apply in cases of Force Majeure (acts of God, strikes, lockouts or other industrial disturbances, war, riot, epidemic, acts of terrorism, fire or other catastrophe or other forces beyond your control, provided, however, that Force Majeure shall not include your lack of financing), if through no fault of yours the premises are damaged or destroyed by an event as described above, provided that you apply within thirty (30) days after such event for our approval to relocate or reconstruct the premises (which approval shall not be unreasonably withheld) and you diligently pursue such reconstruction or relocation, such approval may be conditioned upon the payment of our relocation fee,

(f) If you or any of the Controlling Principals are convicted of, or have entered a plea of *nolo contendere* to, a felony, a crime involving moral turpitude, or other crime that we believe is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or our interests therein,

(g) If a threat or danger to public health or safety results from the construction, maintenance or operation of the Store,

(h) If you or any of the Controlling Principals purport to transfer any rights or obligations under this Agreement or any interest in you or the Store to any third party without our prior written consent or without offering us a right of first refusal with respect to such transfer, contrary to the terms of Article 14 of this Agreement,

(i) If you or any of your affiliates fail, refuse, or neglect promptly to pay any monies owing to us, or any of our affiliates or vendors, when due under this Agreement or any other agreement, or to submit the financial or other information required by us under this Agreement and do not cure such default within five (5) days following notice from us (or such other cure period specified in such other agreement, unless no cure period is stated or such period is less than five (5) days, in which case the five (5) day cure period shall apply),

(j) If you or any of the Controlling Principals fail to comply with the in-term covenants in Section 10 3 hereof or you fail to obtain execution of the covenants and related agreements required under Section 10 3 4 hereof within thirty (30) days following notice from us,

(k) If, contrary to the terms of Section 10 2 1 hereof, you or any of the Controlling Principals disclose or divulge any confidential information provided to you or the Controlling Principals by us, or fail to obtain execution of covenants and related agreements required under Section 10 2 2 hereof within thirty (30) days following notice from us,

(l) If a transfer upon death or permanent disability is not transferred in accordance with Article 14 and within the time periods therein,

(m) If you knowingly maintain false books or records, or submit any false reports to us,

(n) If you breach in any material respect any of the covenants in any material respect set forth in Article 6 or have falsely made any of the representations or warranties set forth in Article 6,

(o) If you fail to propose a qualified replacement or successor General Manager within the time required under Section 6 3 4 following ten (10) days prior written notice,

(p) If you fail to procure and maintain the insurance policies required by Article 12 and you fail to cure such default within ten (10) days following notice from us,

(q) If you misuse or make any unauthorized use of the Marks or otherwise materially impair the goodwill associated therewith or our rights therein, provided that, notwithstanding the above, you shall be entitled to notice of such event of default and shall have twenty-four (24) hours to cure such default,

(r) If you or any of the Controlling Principals commit three (3) material events of default under this Agreement within any twelve (12) month period, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured by you after notice by us,

(s) If any of your managers is not able to complete our initial training program to our satisfaction, after having given you the opportunity to designate a replacement manager,

(t) If you fail to comply with all applicable laws and ordinances relating to the Store, including Anti-Terrorism Laws, or if your or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation, or

(u) Any license or permit you are required to maintain for the operation of the Store is revoked

17.2 Notice of Termination – 30 Days to Cure

Except as provided in Sections 17.1.2 and 17.1.3 of this Agreement, upon any default by you which is susceptible of being cured, we may terminate this Agreement by giving written notice of termination stating the nature of such default to you at least thirty (30) days prior to the effective date of termination. However, you may avoid termination by immediately initiating a remedy to cure such default and curing it to our reasonable or making a bona fide attempt to cure to our reasonable satisfaction within the thirty (30) day period and by promptly providing proof thereof to us. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require. Defaults which are susceptible of cure hereunder may include, but are not limited to, the following illustrative events:

17.2.1 If you fail to comply with any of the requirements imposed by this Agreement, as it may from time to time be amended or reasonably be supplemented by us, or fail to carry out the terms of this Agreement in good faith

17.2.2 If you fail to maintain or observe any of the standards, specifications or procedures prescribed by us in this Agreement or otherwise in writing

17.2.3 If you fail, refuse, or neglect to obtain our prior written approval or consent as required by this Agreement

17.2.4 If any license or permit you are required to maintain for the operation of the Store is suspended

17.3 Cross-Defaults, Non-Exclusive Remedies, etc

Any default by you (or any person/company affiliated with you) under this Agreement may be regarded as a default under any other agreement between us (or any of our affiliates) and you (or any of your affiliates). Any default by you (or any person/company affiliated with you) under any other agreement, including, but not limited to, any lease and/or sublease, between us (or any of our affiliates) and you (or any person/company affiliated with you), and any default by you (or any person/company affiliated with you) under any obligation to us (or any of our affiliates) may be regarded as a default under this Agreement. Any default by you (or any person/company affiliated with you) under any lease, sublease, loan agreement, security interest or otherwise, whether with us, any of our affiliates and/or any third party may be regarded as a default under this Agreement and/or any other agreement between us (or any of our affiliates) and you (or any of your affiliates).

In each of the foregoing cases, we (and any of our affiliates) will have all remedies allowed at law, including termination of your rights (and/or those of any person/company affiliated with you) and our (and/or our affiliates') obligations. No right or remedy which we may have (including termination) is exclusive of any other right or remedy provided under law or equity and we may pursue any rights and/or remedies available.

17.4 Our Right to Discontinue Services to You

If you are in breach of any obligation under this Agreement, and we deliver to you a notice of termination pursuant to this Article 17, we have the right to suspend our performance of any of our obligations under this Agreement including, without limitation, the sale or supply of any services or products for which we are an approved supplier to you and/or suspension of your "click through" subpage on our website, until such time as you correct the breach.

17.5 Amendment Pursuant to Applicable Law

Notwithstanding anything to the contrary contained in this Article, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this franchise and the parties hereto shall limit our rights of termination under this Agreement or shall require longer notice periods than those set forth above, this Agreement is deemed amended to satisfy the minimum notice periods or restrictions upon such termination required by such laws and regulations, provided, however, that such constructive amendment shall not be deemed a concession by us that the grounds for termination set forth in this Agreement do not constitute "good cause" for termination within the meaning ascribed to that term by any applicable law or regulation. We shall not be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, hearing or proceeding relating to this Agreement or the termination of this Agreement.

ARTICLE 18 **POST-TERMINATION**

Upon termination or expiration of this Agreement, all rights granted hereunder to you shall forthwith terminate, and

18.1 Cease Operations

You shall immediately cease to operate the Store under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold yourself out as a present or former franchisee of ours.

18.2 Stop Using the System

You shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, computer software, procedures, and techniques associated with the System, the mark 'Loving Cup', and all other Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, you shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms and any other articles which display the Marks, and shall immediately change all paint colors, remove all of our proprietary or non-proprietary design items.

18.3 Cancellation of Assumed Names

You shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark "Loving Cup" or any other service mark or trademark of ours, and you shall furnish us with evidence satisfactory to us of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

18.4 No Use of Similar Marks

You agree, in the event you continue to operate or subsequently begin to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute our rights in and to the Marks, and further agree not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with us constituting unfair competition.

18.5 Payment of Sums Owed

You and your Controlling Principals shall promptly pay all sums owing to us. Such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by us as a result of any default by you, which obligation shall give rise to and remain, until paid in full, a lien in our favor against any and all of the personal property, furnishings, equipment, fixtures, and inventory owned by you and on the premises operated hereunder at the time of default.

18.6 Payment of Damages, Costs and Expenses

You and the Controlling Principals shall pay to us all damages, costs and expenses, including reasonable attorneys' fees, incurred by us in connection with obtaining any remedy available to us for any violation of this Agreement and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Article 18.

18.7 Delivery of Manuals and Materials

You shall immediately deliver to us all Manuals, software licensed by us (if any), records, files, instructions, correspondence, all materials related to operating the Store, including, without limitation, agreements, invoices, and any and all other materials relating to the operation of the Store in your possession or control, and all copies thereof (all of which are acknowledged to be our property), and shall retain no copy or record of any of the foregoing, except your copy of this Agreement and of any correspondence between the parties and any other documents which you reasonably need for compliance with any provision of law.

18.8 Confidential Information

You and the Controlling Principals shall comply with the restrictions on confidential information contained in Article 10 of this Agreement and shall also comply with the non-competition covenants

contained in Article 10. Any other person required to execute similar covenants pursuant to Article 10 shall also comply with such covenants.

18 9 Marketing and Promotional Materials

You shall also immediately furnish us with an itemized list of all marketing and sales promotion materials bearing the Marks or any of our distinctive markings, designs, labels, or other marks thereon, whether located on your premises or under your control at any other location. We shall have the right to inspect these materials. We shall have the option, exercisable within thirty (30) days after such inspection, to purchase any or all of the materials at your cost, or to require you to destroy and properly dispose of such materials. Materials not purchased by us shall not be utilized by you or any other party for any purpose unless authorized in writing by us.

18 10 Signage

Upon execution of this Agreement, in partial consideration of the rights granted hereunder, you acknowledge and agree that all right, title and interest in the signs used at the Store are hereby assigned to us, and that upon termination or expiration of this Agreement, neither you nor any lien holder of yours shall have any further interest therein.

18 11 Assignment of Lease

If you operate the Store under a lease for the Store premises with a third party or, with respect to any lease for equipment used in the operation of the Franchised Business, then you shall, at our option, assign to us any interest which we have in any lease or sublease for the premises of the Store or any equipment related thereto. We may exercise such option at or within thirty (30) days after either termination or (subject to any existing right to renew) expiration of this Agreement. In the event we do not elect to exercise our option to acquire the lease or sublease for the Store premises or do not have such option, you shall make such modifications or alterations to the Store premises as are necessary to distinguish the appearance of the Store from that of other Stores operating under the System and shall make such specific additional changes as we may reasonably request. If you fail or refuse to comply with the requirements of this Section 18 11, we shall have the right to enter upon the premises of the Franchised Business, without being guilty of trespass or any other crime or tort, to make or cause to be made such changes as may be required, at your expense, which expense you agree to pay upon demand. Notwithstanding the provisions of this Section 18 11 to the contrary, in the event the lease is assigned to us, we hereby indemnify and hold harmless you and any guarantors under said lease, for any breach by us or our successors or assigns from any liability arising out of the lease for the Store premises from and after the date of the assignment of lease.

18 12 Our Right to Purchase

18 12 1 Except as provided in Sections 18 9, 18 10 and 18 13, we shall have the option, to be exercised within thirty (30) days after termination or expiration of this Agreement, to purchase from you any or all of the furnishings, equipment (including any point of sale or computer hardware and software systems), signs, fixtures, motor vehicles, supplies, and inventory of yours related to the operation of the Store, at fair market value. If we exercise our right to purchase all or a portion of your assets, we shall be purchasing such assets only and shall be assuming no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If the parties cannot agree on the fair market value within thirty (30) days of our exercise of this option, fair market value shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and each shall pay one-half (1/2) of the appraisal fees. If we elect to exercise any option to purchase herein provided, we shall have the right to set off (i) all fees for any such independent appraiser due from you, (ii) all amounts due from

you to us and (iii) any costs incurred in connection with any escrow arrangement (including reasonable legal fees), against any payment therefor and shall pay the remaining amount in cash

18 12 2 In addition to the options described above and if you own the Store premises, then we shall have the option, to be exercised at or within thirty (30) days after termination or expiration of this Agreement, to purchase the Store premises including any building thereon, if applicable, for the fair market value of the land and building, and any or all of the furnishings, equipment signs, fixtures, vehicles, supplies and inventory therein at fair market value We shall purchase assets only and shall assume no liabilities whatsoever, unless otherwise agreed to in writing by the parties If you do not own the land on which the Store is operated and we exercise our option for an assignment of the lease, we may exercise this option for the purpose of purchasing the building if owned by you and related assets as described above If the parties cannot agree on fair market value within thirty (30) days of our exercise of this option, fair market value shall be determined in accordance with appraisal procedure described above

18 12 3 With respect to the options described in Sections 18 11, 18 12 1 and 18 12 2, you shall deliver to us in a form satisfactory to us, such warranties, deeds, releases of lien, bills of sale, assignments and such other documents and instruments which we deem necessary in order to perfect our title and possession in and to the properties being purchased or assigned and to meet the requirements of all tax and government authorities If, at the time of closing, you have not obtained all of these certificates and other documents, we may, in our sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents

18 12 4 The time for closing of the purchase and sale of the properties described in Sections 18 12 1 and 18 12 2 shall be a date not later than thirty (30) days after the purchase price is determined by the parties or the determination of the appraisers, or such date we receive and obtain all necessary permits and approvals whichever is later, unless the parties mutually agree to designate another date The time for closing on the assignment of the lease described in Section 18 11 shall be a date no later than ten (10) days after our exercise of the option thereunder unless we are exercising our options under either Section 18 12 1 or 18 12 2, in which case the date of the closing shall be on the same closing date prescribed for such option Closing shall take place at our corporate offices or at such other location as the parties may agree

18 13 Store Assets

Notwithstanding anything to the contrary contained in Sections 18 11 and 18 12, if you operate the Store from a premises that is subleased to you by us, upon termination (or expiration without renewal) of this Agreement, we shall have the right to take immediate possession of the assets of the Store, including, any or all of the furnishings, equipment (including any point of sale or computer hardware and software systems), signs, fixtures, motor vehicles, supplies, and inventory of yours related to the operation of the Store We shall have a lien against all such assets in the amount of any amounts due to us under this Agreement or any other agreement We shall have the right to have such assets appraised at the lower of cost or fair market value of the used assets, and to acquire all right, title and interest to such assets, without conducting any public sale, by paying to you (or to any lender of yours who has a lienholder interest in the assets) the difference between the appraised value and the amounts owed to us by you at the time of termination If the lien on the assets from your lender has priority over any lien of ours, and the amount of the lien is in excess of the appraised value of such assets, we shall have the right to deal directly with your lienholder, and to pay any amounts due to you directly to the lienholder You agree to provide all further assurances, and to execute all documents required by us or by law to lawfully effect such transfer, and to perfect our security interest We shall have the right to take such action without the execution of any further documents by you if you fail or refuse to comply with these further assurances

18 14 Assignment of Options by Us

We shall be entitled to assign any and all of our options in this Section to any other party, without your consent

18 15 Telephone Numbers, Yellow Pages Listings, etc

You, at our option, shall assign to us all rights to the telephone numbers of the Store and any related Yellow Pages trademark listing or other business listings and execute all forms and documents required by us and any telephone company at any time to transfer such service and numbers to us. Further, you shall assign to us all internet listings, domain names, internet accounts, advertising on the internet or world wide web, websites, listings with search engines, ~~e-mail~~ email addresses or any other similar listing or usage related to the Franchised Business. The forms we may require you to execute include but are not limited to, those included in Attachment F hereto. Notwithstanding any forms and documents which may have been executed under Section 7 9, you hereby appoint us as your true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete such assignment. This power of attorney shall survive the expiration or termination of this Agreement. You shall thereafter use different telephone numbers, email addresses or other listings or usages at or in connection with any subsequent business conducted by you.

18 16 Liquidated Damages

If we terminate this Agreement with cause, you agree to pay to us, within fifteen (15) days after the date of termination, liquidated damages equal to the average value of the Royalty Fees you paid or owed (per month) to us during the twelve (12) months before the termination multiplied by (i) twenty-four (24), being the number of months in two (2) full years, or (ii) the number of months remaining during the term of this Agreement, whichever is lower.

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

The liquidated damages provision only covers our damages from the loss of cash flow from the Royalty Fees. It does not cover any other damages, including damages to our reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fee section. You and each of your owners agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty Fee-section.

ARTICLE 19 **MISCELLANEOUS**

19 1 Notices

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by expedited delivery service or certified or registered mail, return receipt requested, first class postage prepaid, or sent by facsimile or email (provided that the sender confirms the facsimile by sending an original confirmation copy by certified or registered mail or expedited delivery).

service within three (3) business days after transmission) to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party

Notices to Franchisor Loving Cup Franchise Company LLC
376 Marin Avenue
Mill Valley, California 94941
Attention President
E-mail Email info@lovingcupfranchise.com

With a copy to Harold L. Kestenbaum, PC
175 Broad Hollow Road, Suite 175
Melville, New York 11747
Attention Harold L. Kestenbaum, Esq
Facsimile (516)-745-0293

Notices to Franchisee and
the Controlling Principals

Attention _____
Facsimile _____

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of facsimile, upon transmission (provided confirmation is sent as described above) or, in the case of expedited delivery service or registered or certified mail, three (3) business days after the date and time of mailing

19.2 Entire Agreement

This Agreement, the documents referred to herein, and the Attachments hereto, constitute the entire, full and complete agreement between us and you and the Controlling Principals concerning the subject matter hereof and shall supersede all prior related agreements between us and you and the Controlling Principals, provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Disclosure Document that was furnished to you by us. Except for those permitted to be made unilaterally by us hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

19.3 No Waiver

No delay, waiver, omission or forbearance on our part to exercise any right, option, duty or power arising out of any breach or default by you or the Controlling Principals under this Agreement shall constitute a waiver by us to enforce any such right, option, duty or power against you or the Controlling Principals, or as to a subsequent breach or default by you or the Controlling Principals. Acceptance by us of any payments due to us hereunder subsequent to the time at which such payments are due shall not be deemed to be a waiver by us of any preceding breach by you or the Controlling Principals of any terms, provisions, covenants or conditions of this Agreement.

19.4 Our Prior Approval

Whenever this Agreement requires our prior approval or consent, you shall make a timely written request to us, and such approval or consent shall be obtained in writing.

19.5 No Warranty or Guaranty

We make no warranties or guarantees upon which you may rely and assume no liability or obligation to you or any third party to which we would not otherwise be subject, by providing any waiver, approval, advice, consent or suggestion to you in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor

19.6 Continued Obligation to Pay Sums

If a Force Majeure event shall occur, then, in addition to payments required under Section 17.1.3(e), you shall continue to be obligated to pay to us any and all amounts that you shall have duly become obligated to pay in accordance with the terms of this Agreement prior to the occurrence of any Force Majeure event and the Indemnitees shall continue to be indemnified and held harmless by you in accordance with Article 15. Except as provided in Section 17.1.3(e) and the immediately preceding sentence herein, none of the parties hereto shall be held liable for a failure to comply with any terms and conditions of this Agreement when such failure is caused by an event of Force Majeure. Upon the occurrence of any event of the type referred to herein, the party affected thereby shall give prompt notice thereof to the other parties, together with a description of the event, the duration for which the party expects its ability to comply with the provisions of the Agreement to be affected thereby and a plan for resuming operation under the Agreement, which the party shall promptly undertake and maintain with due diligence. Such affected party shall be liable for failure to give timely notice only to the extent of damage actually caused.

19.7 Arbitration

Except to the extent we elect to enforce the provisions of this Agreement by judicial process and injunction in our sole discretion, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter) which have not been settled through negotiation will be settled by binding arbitration within the county where we maintain our headquarters under the authority of such state's statutes (the "Statutes"). The arbitrator(s) will have a minimum of five (5) years of experience in franchising or distribution law and will have the right to award specific performance of this Agreement. If the parties cannot agree upon a mutually agreeable arbitrator, then the arbitration shall be conducted as per the selection method set forth in the Statutes. To the extent such rules are not inconsistent with the provisions of this arbitration provision or the Statutes, the proceedings will be conducted under the commercial arbitration rules of the American Arbitration Association. The decision of the arbitrator(s) will be final and binding on all parties. This Section will survive termination or non-renewal of this Agreement under any circumstances. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction thereof. During the pendency of any arbitration proceeding, you and we shall fully perform our respective obligations under this Agreement.

19.8 Venue, Governing Law

With respect to any claims, controversies or disputes which are not finally resolved through mediation or arbitration, or as otherwise provided above, you and the Controlling Principals hereby irrevocably submit themselves to the jurisdiction of the state courts and the Federal District Court nearest to our headquarters. You and the Controlling Principals hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision. You and the Controlling Principals hereby agree that service of process may be made upon any of them in any proceeding relating to or arising out of this Agreement or the relationship created by this Agreement by any means allowed by California or federal law. You and the Controlling Principals further agree that venue for any proceeding relating to or

arising out of this Agreement shall be the county and state where we maintain our headquarters, provided, however, with respect to any action (1) for monies owed, (2) for injunctive or other extraordinary relief or (3) involving possession or disposition of, or other relief relating to, real property, we may bring such action in any State or Federal District Court which has jurisdiction. With respect to all claims, controversies, disputes or actions, related to this Agreement or the relationship created thereby, this Agreement and any such related claims, controversies, disputes or actions shall be governed, enforced and interpreted under the law of the state where we maintain our headquarters.

19 9 Agreement Regarding Governing Law and Choice of Forum

You, the Controlling Principals and we acknowledge that the parties' agreement regarding applicable state law and forum set forth in Sections 19 7 and 19 8 above provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising out of this Agreement or the parties' relationship created by this Agreement. Each of you, the Controlling Principals and we further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement.

19 10 Waiver of Punitive Damages, Waiver of Jury Trial

You, the Controlling Principals and we hereby waive, to the fullest extent permitted by law, any right to or claim or any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against either party, their officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, either party shall be limited to the recovery of any actual damages sustained by it. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of waiver by agreement of punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) shall continue in full force and effect.

We and you irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of us against the other. Any and all claims and actions arising out of or relating to this Agreement, the relationship of you and us, or your operation of the Store, brought by either party hereto against the other, whether in arbitration, or a legal action, shall be commenced within two (2) years from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

19 11 Execution in Multiple Counterparts

This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

19 12 Captions

The captions used in connection with the sections and subsections of this Agreement are inserted only for purpose of reference. Such captions shall not be deemed to govern, limit, modify or in any other manner affect the scope, meaning or intent of the provisions of this Agreement or any part thereof nor shall such captions otherwise be given any legal effect.

19 13 Survival of Terms

Any obligation of you or the Controlling Principals that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of you or the Controlling Principals therein, shall be deemed to survive such termination, expiration or transfer

19 14 Severability of Provisions

Except as expressly provided to the contrary herein, each portion, section, part, term and provision of this Agreement shall be considered severable, and if, for any reason, any portion, section, part, term or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, this shall not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms or provisions of this Agreement that may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties, the invalid portions, sections, parts, terms or provisions shall be deemed not to be part of this Agreement, and there shall be automatically added such portion, section, part, term or provision as similar as possible to that which was severed which shall be valid and not contrary to or in conflict with any law or regulation

19 15 Joint and Several Obligations

All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable. Without limiting the obligations individually undertaken by the Controlling Principals under this Agreement, all acknowledgments, promises, covenants, agreements and obligations made or undertaken by you in this Agreement shall be deemed, jointly and severally, undertaken by all of the Controlling Principals

19 16 Rights and Remedies Cumulative

All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between you or any of your affiliates and us. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one (1) or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient, and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of our rights pursuant to Article 17 of this Agreement shall not discharge or release you or any of the Controlling Principals from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement

19 17 Terminology

The term "your Principals" shall include, collectively and individually, (1) your spouse, if you are an individual, (2) all officers, directors, managers and general partners (or persons holding comparable positions in non-corporate entities) of you and (3) all officers, directors, managers and general partners (or persons holding comparable positions in non-corporate entities) of any Controlling Principal that itself is an entity, in each case whom we designate as your Principals and all holders of an ownership interest in you and of any entity directly or indirectly controlling you, and any other person or entity controlling, controlled by or under common control with you. As used in this Section 19 17, the terms "control" and "controlling" shall mean the power to influence the management decisions of the specified person and shall in any case be deemed to exist where the second person holds ten percent (10%) or more of the total

ownership interest in the specified person, serves on any board of directors or comparable body of such specified person or acts as an officer, general partner or manager thereof (or holds a comparable position in a non-corporate entity) The initial Principals shall be listed on Attachment C The term "Controlling Principals" shall include, collectively and individually, any Principal who has been designated by us as a Controlling Principal hereunder For purposes of this Agreement, a publicly held corporation is a corporation registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or a corporation subject to the requirements of Section 15(d) of such Act

19 18 References

Each reference in this Agreement to a corporation or partnership shall be deemed to also refer to a limited liability company and any other entity or organization similar thereto Each reference to the organizational documents, equity owners, directors, and officers of a corporation in this Agreement shall be deemed to refer to the functional equivalents of such organizational documents, equity owners, directors and officers as applicable, in the case of a limited liability company or any other entity or organization similar thereto

19 19 No Rights or Remedies Except to the Parties

Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than you, us, our officers, directors, members and employees and such of your and our respective successors and assigns as may be contemplated (and, as to you, authorized by Article 14), any rights or remedies under or as a result of this Agreement

19 20 Effectiveness of Agreement

This Agreement shall not become effective until signed by an authorized officer of ours

19 21 Modification of the System

You understand and agree that the System must not remain static if it is to meet, without limitation, presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, societal trends and other marketplace variables, and if it is to best serve the interests of us, you and all other franchisees Accordingly, you expressly understand and agree that we may from time to time change the components of the System including, but not limited to, altering the products, programs, services, methods, standards, forms, policies and procedures of that System, abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination or for other reasons, adding to, deleting from or modifying those products, programs and services which your Franchised Business is authorized and required to offer, modifying or substituting entirely the building, premises, equipment, signage, trade dress, decor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which you are required to observe hereunder, and changing, improving, modifying, or substituting other words or designs for, the Marks You expressly agree to comply with any such modifications, changes, additions, deletions, substitutions and alterations, provided, however, that such changes shall not materially and unreasonably increase your obligations hereunder

You shall accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was executed

We shall not be liable to you for any expenses losses or damages sustained by you as a result of any of the modifications contemplated hereby You hereby covenant not to commence or join in any litigation or other proceeding against us or any third party complaining of any such modifications or

seeking expenses, losses or damages caused thereby. You expressly waive any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

19.22 Operation in the Event of Absence or Disability

In order to prevent any interruption of the Franchised Business operations which would cause harm to the Franchised Business, thereby depreciating the value thereof, you authorize us, who may, at our option, in the event that you are absent for any reason or are incapacitated by reason of illness and are unable, in our sole and reasonable judgment, to operate the Franchised Business, operate the Franchised Business for so long as we deem necessary and practical, and without waiver of any other rights or remedies we may have under this Agreement. All monies from the operation of the Franchised Business during such period of operation by us shall be kept in a separate account, and the expenses of the Franchised Business, including reasonable compensation and expenses for our representative, shall be charged to said account. If, as herein provided, we temporarily operate the Franchised Business franchised herein for you, you agree to indemnify and hold harmless us and any representative of ours who may act hereunder, from any and all acts which we may perform, as regards the interests of you or third parties.

19.23 Step-In Rights

If we determine in our sole judgment that the operation of your business is in jeopardy, or if a default occurs, then in order to prevent an interruption of the Franchised Business which would cause harm to the System and thereby lessen its value, you authorize us to operate your business for as long as we deem necessary and practical, and without waiver of any other rights or remedies which we may have under this Agreement. In our sole judgment, we may deem you incapable of operating the Franchised Business if, without limitation, you are absent or incapacitated by reason of illness or death, you have failed to pay when due or have failed to remove any and all liens or encumbrances of every kind placed upon or against your business, or we determine that operational problems require that we operate your business for a period of time that we determine, in our sole discretion, to be necessary to maintain the operation of the business as a going concern.

We shall keep in a separate account all monies generated by the operation of your business, less the expenses of the business, including reasonable compensation and expenses for our representatives. In the event of our exercise of the Step-In Rights, you agree to hold harmless us and our representatives for all actions occurring during the course of such temporary operation. You agree to pay all of our reasonable attorneys' fees and costs incurred as a consequence of our exercise of the Step-In Rights. Nothing contained herein shall prevent us from exercising any other right which we may have under this Agreement, including, without limitation, termination.

19.24 Costs and Legal Fees

If we are required to enforce this Agreement in a judicial or arbitration proceeding, you shall reimburse us for our costs and expenses, including, without limitation, reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by you to comply with this Agreement, you shall reimburse us for any of the above-listed costs and expenses incurred by us.

ARTICLE 20

SECURITY INTERESTS

20 1 Collateral

You grant to us a security interest (‘ Security Interest ’) in all of the furniture, fixtures, equipment, signage, and realty (including your interests under all real property and personal property leases) of the Store, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds and products thereof wherever located, used in connection with the Store All items in which a security interest is granted are referred to as the “Collateral”

20 2 Indebtedness Secured

The Security Interest is to secure payment of the following (the ‘ Indebtedness’)

20 2 1 All amounts due under this Agreement or otherwise by you,

20 2 2 All sums which we may, at our option, expend or advance for the maintenance, preservation, and protection of the Collateral, including, without limitation, payment of rent, taxes, levies, assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the Indebtedness,

20 2 3 All expenses, including reasonable attorneys’ fees, which we incur in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting our rights under the Security Interest and this Agreement, and

20 2 4 All other present or future, direct or indirect, absolute or contingent, liabilities, obligations, and indebtedness of you to us or third parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement, whether or not you execute any extension agreement or renewal instruments

Our security interest, as described herein, shall be subordinated to any financing related to your operation of the Store, including but not limited to, a real property mortgage and equipment leases

20 3 Additional Documents

You will from time to time as required by us join with us in executing any additional documents and one (1) or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions, or modifications thereof) in form satisfactory to us

20 4 Possession of Collateral

Upon default and termination of your rights under this Agreement, we shall have the immediate right to possession and use of the Collateral

20 5 Our Remedies in Event of Default

You agree that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at our option and without notice, become due and payable immediately, and we shall then have the rights, options, duties, and remedies of a secured party under, and you shall have the rights and duties of a debtor under, the Uniform Commercial Code of California (or other applicable law), including, without limitation, our right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found Any sale of the Collateral

may be conducted by us in a commercially reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to you pursuant to the notice provisions set forth above.

20.6 Special Filing as Financing Statement

This Agreement shall be deemed a Security Agreement and a Financing Statement. This Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a Financing Statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.

ARTICLE 21 **TECHNOLOGY**

21.1 Computer Systems and Software

The following terms and conditions shall apply with respect to your computer system:

21.1.1 We shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among Loving Cup Stores, including without limitation: (a) back office and point of sale systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at Loving Cup Stores, between or among Stores, and between and among the Franchised Store and us and/or you, (b) Point of Sale Systems, (c) physical, electronic, and other security systems, (d) printers and other peripheral devices, (e) archival back-up systems, and (f) internet access mode and speed (collectively, the "Computer System").

21.1.2 We shall have the right, but not the obligation, to develop or have developed for us, or to designate: (a) computer software programs and accounting system software that you must use in connection with the Computer System ("Required Software"), which you shall install, (b) updates, supplements, modifications, or enhancements to the Required Software, which you shall install, (c) the tangible media upon which you shall record data, and (d) the database file structure of your Computer System.

21.1.3 You shall record all sales on computer-based point of sale systems approved by us or on such other types of systems as may be designated by us in the Manual or otherwise in writing ("Point of Sale Systems"), which shall be deemed part of your Computer System.

21.1.4 You shall make, from time to time, such upgrades and other changes to the Computer System and Required Software as we may request in writing (collectively, "Computer Upgrades").

21.1.5 You shall comply with all specifications issued by us with respect to the Computer System and the Required Software, and with respect to Computer Upgrades. You shall also afford us unimpeded access to your Computer System and Required Software as we may request, in the manner, form, and at the times requested by us.

21.2 Data

We may, from time-to-time, specify in the Manual or otherwise in writing the information that you shall collect and maintain on the Computer System installed at the Store, and you shall provide to us such reports as we may reasonably request from the data so collected and maintained. All data pertaining

to the Store, and all data created or collected by you in connection with the System, or in connection with your operation of the Store (including without limitation data pertaining to or otherwise concerning the Store's customers) or otherwise provided by you (including, without limitation, data uploaded to, or downloaded from your Computer System) is and will be owned exclusively by us, and we will have the right to use such data in any manner that we deem appropriate without compensation to you. Copies and/or originals of such data must be provided to us upon our request. We hereby license use of such data back to you for the term of this Agreement, at no additional cost, solely for your use in connection with the business franchised under this Agreement.

21.3 Privacy

You shall abide by all applicable laws pertaining to privacy of information collected or maintained regarding customers or other individuals ("Privacy"), and shall comply with our standards and policies pertaining to Privacy. If there is a conflict between our standards and policies pertaining to Privacy and applicable law, you shall (a) comply with the requirements of applicable law, (b) immediately give us written notice of said conflict, and (c) promptly and fully cooperate with us and our counsel as we may request to assist us in our determination regarding the most effective way, if any, to meet our standards and policies pertaining to Privacy within the bounds of applicable law.

21.4 Telecommunications

You shall comply with our requirements (as set forth in the Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Intranet (as defined below), if any, and/or such other computer systems as we may reasonably require.

21.5 Intranet

We may establish a website providing private and secure communications between us, you, franchisees, licensees and other persons and entities as determined by us, in our sole discretion (an "Intranet"). You shall comply with our requirements (as set forth in the Manual or otherwise in writing) with respect to connecting to the Intranet, and utilizing the Intranet in connection with the operation of the Store. The Intranet may include, without limitation, the Manuals, training other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You shall purchase and maintain such computer software and hardware as may be required to connect to and utilize the Intranet.

21.6 On-line Use of Proprietary Marks

You shall not use the Proprietary Marks or any abbreviation or other name associated with us and/or the System as part of any ~~e-mail~~email address, domain name, and/or other identification of you in any electronic medium. You agree not to transmit or cause any other party to transmit advertisements or solicitations by ~~e-mail~~email or other electronic media without our prior written consent as to your plan for transmitting such advertisements.

21.7 No Outsourcing Without Prior Written Consent

You shall not hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, or any other of your obligations without our prior written approval therefor, unless we have designated an approved supplier to provide such services. Our consideration of any proposed outsourcing vendor(s) may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with us and you in a form that is reasonably provided by us.

21 8 Changes to Technology

You and we acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System, and you agree that you shall abide by those reasonable new standards established by us as if this Article 21 were periodically revised by us for that purpose. You acknowledge and understand that this Agreement does not place any limitations on either our right to require you to obtain Computer Upgrades or the cost of such Computer Upgrades.

ARTICLE 22

YOUR REPRESENTATIONS AND ACKNOWLEDGMENTS

22 1 Your Representations

You represent and warrant to us, with the intention that we are relying thereon in entering into this Agreement, that

22 1 1 If you are a corporation, limited liability company, general partnership, partnership, or limited partnership, then you are organized under the laws of the state of your principal place of business (or another state which you have identified to us) and are in good standing with and qualified to do business in each state and political/governmental subdivision having jurisdiction over the Store.

22 1 2 If you are a corporation, limited liability company, general partnership, partnership, or limited partnership, you have all corporate power and authority to execute, deliver, consummate and perform this Agreement, and it will be binding upon you and your successors and assigns when executed.

22 1 3 You do not have any material liabilities, adverse claims, commitments or obligations of any nature as of the date of execution of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise which are not reflected as liabilities on the balance sheets of your current financial statements, which you have furnished to us before the execution of this Agreement.

22 1 4 As of the date of execution of this Agreement, there are no actions, suits, proceedings or investigations pending or, to your knowledge or the knowledge any of your officers, directors, principal shareholders, proprietors, partners or principals (as applicable) after due inquiry, threatened, in any court or arbitral forum, or before any governmental agency or instrumentality, nor to the best of your knowledge or the knowledge of any such persons or entities (after due inquiry) is there any basis for any claim, action, suit, proceeding or investigation which affects or could affect, directly or indirectly, any of your assets, properties, rights or business, your right to operate and use your assets, properties or rights to carry on your business, and/or which affects or could affect your right to assume and carry out in all respects the duties, obligations and responsibilities specified in this Agreement.

22 1 5 Neither you nor any of your Principals is a party to any contract, agreement, covenant not to compete or other restriction of any type which may conflict with, or be breached by, the execution, delivery, consummation and/or performance of this Agreement.

22 1 6 All of your representations and warranties contained in this Agreement are complete, correct and accurate as of the date of execution of this Agreement and will survive any termination or expiration of this Agreement

22 2 Your Acknowledgments

You acknowledge, warrant and represent to us and we rely on such acknowledgments, warranties and representations that

22 2 1 No representation has been made by us (or any of our employees, agents or salespersons) and relied on by you as to the future or past income, expenses, sales volume or potential profitability, earnings or income of the Store, or any other Loving Cup Store, whether owned by us, our affiliates or our franchisees We make no guaranties, promises, representations, statements or warranties that you can or will achieve any level or range of sales, income or other measures of performance

Initials_____

22 2 2 No representation or statement has been made by us (or any of our employees, agents or salespersons) and relied on by you regarding your anticipated income, earnings and growth or that of us or the Loving Cup System, or the viability of the business opportunity being offered under this Agreement, except for any financial disclosure included in Item 19 of the Franchise Disclosure Document heretofore provided to you

Initials_____

22 2 3 Before executing this Agreement, you have had the opportunity to contact any and all of our existing franchisees

Initials_____

22 2 4 You have had the opportunity to independently investigate, analyze and construe both the business opportunity being offered under this Agreement, and the terms and provisions of this Agreement using the services of legal counsel, accountants or other advisers (if you so elect) of your choosing You- have been advised to consult with your advisors with respect to the legal, financial and other aspects of this Agreement, the Store, and the prospects for the Store You have either consulted with these advisors or have deliberately declined to do so

Initials_____

22 2 5 You have received from us a copy of our Franchise Disclosure Document, together with a copy of all proposed agreements relating to the sale of the franchise at least fourteen (14) calendar days before the execution of this Agreement or at least fourteen (14) calendar days before the payment by you to us or our affiliates of any consideration in connection with the sale or proposed sale of the franchise granted by this Agreement

Initials_____

22 2 6 No representation or statement has been made by us (or any of our employees, agents or salespersons) and relied on by you regarding your ability to procure any required license or permit that may be necessary to the operation of the Store

Initials_____

22.2.7 You affirm that all information set forth in all applications, financial statements and submissions to us are true, complete and accurate in all respects, and you expressly acknowledge that we are relying on the truthfulness, completeness and accuracy of this information

Initials_____

22.2.8 Attached hereto as Attachment J is a Franchisee Disclosure Acknowledgment Statement. You shall have received and answer the questions thereon, relating to representations that have or have not been made to you. You have executed the Statement voluntarily and attached it hereto

Initials_____

22.2.9 You understand and agree that we may manage and change the System and our business in any manner that is not expressly prohibited by this Agreement. Whenever we have the right within this Agreement to take or withhold action or to grant or decline to you the right to take or withhold action, we may make such a decision on the basis of our business judgment of what is in our best interests and those of the System and the franchise network, without regard to whether other reasonable alternative decisions exist or whether our decision adversely affects you. Absent applicable statute, we shall have no liability for such a decision and you agree that our decision will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, you agree that such a covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants to us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations hereunder

Initials_____

22.2.10 Although we retain the right to establish and periodically modify System standards, which you have agreed to maintain in the operation of the Franchised Store, you retain the right and sole responsibility for the day-to-day management and operation of the Store and the implementation and maintenance of System standards at the Store

Initials_____

22.2.11 You acknowledge and agree that we may modify the offer of our franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement

Initials_____

22.2.12 You acknowledge that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon your ability as an independent businessperson, your active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. We do not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby

Initials_____

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative as of the date first above written

FRANCHISOR
LOVING CUP FRANCHISE COMPANY LLC
a California limited liability company

ATTEST

Witness

By _____
Name _____
Title _____
Accepted On _____
(the "Effective Date")

FRANCHISEE

Witness

By _____
Name _____
Title _____
Date _____

CONTROLLING PRINCIPALS

In consideration of, and as an inducement to, the execution of foregoing Franchise Agreement (the "Franchise Agreement") by Loving Cup Franchise Company LLC ("Franchisor") between Franchisor and _____ ("Franchisee"), each of the undersigned acknowledges and agrees as follows

1 Each has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this guaranty and the undertakings of the Controlling Principals in the Franchise Agreement are in partial consideration for, and a condition to, the granting of this license, and that Franchisor would not have granted this license without the execution of this guaranty and such undertakings by each of the undersigned,

2 Each is included in the term "Controlling Principals" as described in Section 19.17 of the Franchise Agreement,

3 Each individually, jointly and severally, makes all of the covenants, representations, warranties and agreements of the Controlling Principals set forth in the Franchise Agreement and is obligated to perform thereunder, and

4 Each individually, jointly and severally, unconditionally and irrevocably guarantees to Franchisor and its successors and assigns that all of Franchisee's obligations under the Franchise Agreement will be punctually paid and performed. Upon default by Franchisee or upon notice from Franchisor, each will immediately make each payment and perform each obligation required of Franchisee under the Franchise Agreement. Without affecting the obligations of any of the Controlling Principals under this guaranty, Franchisor may, without notice to the Controlling Principals, waive, renew, extend, modify, amend or release any indebtedness or obligation of Franchisee or settle, adjust or compromise any claims that Franchisor may have against Franchisee. Each of the Controlling Principals waives all demand and notices of every kind with respect to the enforcement of this guaranty, including, without limitation, notice of presentment, demand for payment or performance by Franchisee, any default by Franchisee or any guarantor and any release of any guarantor or other security for this guaranty or the obligations of Franchisee. Franchisor may pursue its rights against any of the Controlling Principals, jointly or severally, without first exhausting its remedies against Franchisee and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy. Upon receipt by Franchisor of notice of the death of any of the Controlling Principals, the estate of the deceased will be bound by the foregoing guaranty, but only for defaults and obligations under the Franchise Agreement existing at the time of death, and in such event, the obligations of the remaining Controlling Principals shall continue in full force and effect.

ATTEST

CONTROLLING PRINCIPALS

Witness

Name _____

Witness

Name _____

Witness

Name _____

ATTACHMENT A TO THE FRANCHISE AGREEMENT

ACCEPTED LOCATION AND DESIGNATED TERRITORY

1 ACCEPTED LOCATION

Pursuant to Section 1.2 of the Franchise Agreement, the Store shall be located at the following Accepted Location

2 DESIGNATED TERRITORY

Pursuant to Section 1.4 of the Franchise Agreement, the Designated Territory shall be

FRANCHISEE

By _____
Name _____
Title _____

FRANCHISOR

LOVING CUP FRANCHISE COMPANY LLC

By _____
Name _____
Title _____

ATTACHMENT B TO THE FRANCHISE AGREEMENT

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned ("Assignor") assigns, transfers and sets over to Loving Cup Franchise Company LLC, a California limited liability company ("Assignee"), all of Assignor's right and title to and interest in that certain "Lease" a copy of which is attached as Exhibit A respecting premises commonly known as _____. This assignment is for collateral purposes only and except as specified in this document Assignee will have no liability or obligation of any kind whatsoever arising from or in connection with this assignment or the Lease unless and until Assignee takes possession of the premises the Lease demises according to the terms of this document and assumes Assignor's obligations under the Lease

Assignor represents and warrants to Assignee that it has full power and authority to assign the Lease and that Assignor has not previously assigned or transferred and is not otherwise obligated to assign or transfer any of its interest in the Lease or the premises it demises

Upon Assignor's default under the Lease or under the "Franchise Agreement" for a Store between Assignee and Assignor or in the event Assignor defaults under any document or instrument securing the Franchise Agreement Assignee has the right to take possession of the premises the Lease demises and expel Assignor from the premises. In that event Assignor will have no further right and title to or interest in the Lease but will remain liable to Assignee for any past due rental payments or other charges Assignee is required to pay Lessor to effectuate the assignment this document contemplates

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without Assignee's prior written consent. Throughout the term of the Franchise Agreement Assignor agrees that it will elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day upon which the option must be exercised unless Assignee agrees otherwise in writing. Upon Assignee's failure to agree otherwise in writing and upon Assignor's failure to elect to extend or renew the Lease as required Assignor appoints Assignee as its true and lawful attorney-in-fact with the authority to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal

ASSIGNEE

ASSIGNOR

LOVING CUP FRANCHISE COMPANY LLC

By _____
Name _____
Title _____
Date _____

By _____
Name _____
Title _____
Date _____

CONSENT TO COLLATERAL ASSIGNMENT AND AGREEMENT OF LESSOR

The undersigned Lessor under the Lease

(a) Agrees to notify Assignee in writing of and upon Assignor's failure to cure any default by Assignor under the Lease,

(b) Agrees that Assignee will have the right, but not the obligation, to cure any default by Assignor under the Lease within thirty (30) days after Lessor's delivery of notice of the default under section (a) above,

(c) Consents to the Collateral Assignment and agrees that if Assignee takes possession of the premises the Lease demises and confirms to Lessor that it has assumed the Lease as tenant, Lessor will recognize Assignee as tenant under the Lease, provided that Assignee cures within the thirty (30) day period noted in section (b) above Assignor's defaults under the Lease, and

(d) Agrees that Assignee may further assign the Lease to or enter into a sublease with a person, firm or corporation who agrees to assume the tenant's obligations under the Lease and is reasonably acceptable to Lessor and that upon that assignment Assignee will have no further liability or obligation under the Lease as assignee, tenant or otherwise, other than to certify that the additional assignee or sublessee operates the premises the Lease demises as a Store

Dated _____

_____, Lessor

ATTACHMENT C TO THE FRANCHISE AGREEMENT

STATEMENT OF OWNERSHIP INTERESTS AND FRANCHISEE'S PRINCIPALS

- A The following is a list of all shareholders, partners or other investors in Franchisee, including all investors who own or hold a direct or indirect interest in Franchisee, and a description of the nature of their interest

Name

Percentage of Ownership/Nature of Interest

- B In addition to the persons listed in paragraph A , the following is a list of all of Franchisee's Principals described in and designated pursuant to Section 19.17 of the Franchise Agreement. Unless designated as a Controlling Principal, each of Franchisee's Principals shall execute the Confidentiality and Non-Competition Agreement substantially in the form set forth in Attachment D (see Sections 10.2.2 and 10.3.4 of the Franchise Agreement)

ATTACHMENT D TO THE FRANCHISE AGREEMENT

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

**(for trained employees, shareholders, officers, directors,
general partners, members and managers of Franchisee)**

In consideration of my being a _____ of _____ ('Franchisee'), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree that

1 Pursuant to a Franchise Agreement dated _____, 20__ (the "Franchise Agreement"), Franchisee has acquired the right and franchise from Loving Cup Franchise Company LLC (the "Company") to establish and operate a Loving Cup Store (the "Franchised Business") and the right to use in the operation of the Franchised Business the Company's trade names, service marks, trademarks, logos, emblems, and indicia of origin (the "Proprietary Marks"), as they may be changed, improved and further developed from time to time in the Company's sole discretion, only at the following authorized and Accepted Location _____ (the "Accepted Location")

2 The Company, as the result of the expenditure of time, skill, effort and resources has developed and owns a distinctive format and system (the "System") relating to the establishment and operation of Franchised Businesses offering frozen yogurt, rice pudding and beverages. The Company possesses certain proprietary and confidential information relating to the operation of the System, which includes certain proprietary trade secrets, recipes, methods, techniques, formats, specifications, systems, procedures, methods of business practices and management, sales and promotional techniques and knowledge of, and experience in the operation of the Franchised Business (the "Confidential Information")

3 Any and all information, knowledge, know-how, and techniques which the Company specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement

4 As _____ of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me training programs, the Company's Confidential Operations Manuals (the "Manuals"), and other general assistance during the term of the Franchise Agreement

5 I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term of the Franchise Agreement, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition

6 The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as _____ of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement

7 Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, either directly or indirectly for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any food service business which (a) is the same as, or substantially similar to, a Franchised Business, or (b) offers to sell or sells any products or services which are the same as, or substantially similar to, any of the products offered by a Franchised Business (a "Competitive Business"), and for a continuous uninterrupted period commencing upon the cessation or termination of my position with Franchisee, regardless of the cause for termination, or upon the expiration, termination, transfer, or assignment of the Franchise Agreement, whichever occurs first, and continuing for two (2) years thereafter, either directly or indirectly, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any Competitive Business that is, or is intended to be, located at or within

7.1 Franchisee's Designated Territory, as defined in the Franchise Agreement ("Franchisee's Designated Territory"),

7.2 Twenty (20) miles of Franchisee's Designated Territory, or

7.3 Twenty (20) miles of any Franchised Business operating under the System and the Proprietary Marks

The prohibitions in this Paragraph 7 do not apply to my interests in or activities performed in connection with a Franchised Business. This restriction does not apply to my ownership of less than five percent (5%) beneficial interest in the outstanding securities of any publicly held company.

8 I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

9 I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof, and I agree to comply forthwith with any covenant as so modified.

10 The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm, therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11 This Agreement shall be construed under the laws of the State of California, without regard to the application of California conflict of law rules. The only way this Agreement can be changed is in writing signed by both the Franchisee and me

Signature

Name

Address

Title

ACKNOWLEDGED BY FRANCHISEE

By _____

Name _____

Title _____

**ATTACHMENT E TO THE FRANCHISE AGREEMENT
ELECTRONIC TRANSFER AUTHORIZATION**

**AUTHORIZATION TO HONOR CHARGES DRAWN BY AND
PAYABLE TO LOVING CUP FRANCHISE COMPANY LLC ("COMPANY")**

Depositor hereby authorizes and requests _____ (the 'Depository') to initiate debit and credit entries to Depositor's ☐ checking or ☐ savings account (select one) indicated below drawn by and payable to the order of Loving Cup Franchise Company LLC by Electronic Funds Transfer, provided there are sufficient funds in said account to pay the amount upon presentation

Depositor agrees that the Depository's rights with respect to each such charge shall be the same as if it were a check drawn by the Depository and signed by Depositor. Depositor further agrees that if any such charge is dishonored, whether with or without cause and whether intentionally or inadvertently, the Depository shall be under no liability whatsoever

Depository Name _____

City _____ State _____ Zip Code _____

Transit/ABA Number _____ Account Number _____

This authority is to remain in full force and effect until Company has received written notification from me (or either of us) of its termination in such time and in such manner to afford Company and Depository a responsible opportunity to act on such request

Depositor (Please Print)

Date Signed

Signature(s) of Depositor, as Printed Above

Please attach a voided blank check, for purposes of setting up Bank and Transit Numbers

**ATTACHMENT F TO THE FRANCHISE AGREEMENT
INTERNET WEB SITES AND LISTINGS AGREEMENT**

THIS INTERNET WEB SITES AND LISTINGS AGREEMENT (the 'Internet Listing Agreement') is made and entered into as of the ____ day of _____, 20__ (the "Effective Date"), by and between Loving Cup Franchise Company LLC, a California limited liability company (the 'Franchisor') and _____, a _____ (the "Franchisee")

WITNESSETH

WHEREAS, Franchisee desires to enter into a Franchise Agreement with Franchisor for a Loving Cup Store (the "Franchise Agreement"), and

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee's agreement to enter into, comply with, and be bound by all the terms and provisions of this Internet Listing Agreement,

NOW, THEREFORE, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows

1 DEFINITIONS

All terms used but not otherwise defined in this Internet Listing Agreement shall have the meanings set forth in the Franchise Agreement. "Termination" of the Franchise Agreement shall include but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof

2 TRANSFER, APPOINTMENT

2.1 Interest in Internet Web Sites and Listings Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of the Franchise Agreement, certain right, title, and interest in and to certain domain names, hypertext markup language, uniform resource locator addresses, and access to corresponding internet web sites, and the right to hyperlink to certain web sites and listings on various internet search engines (collectively, the "Internet Web Sites and Listings") related to the Franchised Business or the Marks (all of which right, title, and interest is referred to herein as 'Franchisee's Interest')

2.2 Transfer On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately direct all internet service providers, domain name registries, internet search engines, and other listing agencies (collectively, the "Internet Companies") with which Franchisee has Internet Web Sites and Listings (i) to transfer all of Franchisee's Interest in such Internet Web Sites and Listings to Franchisor, and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Internet Web Sites and Listings, Franchisee will immediately direct the Internet Companies to terminate such Internet Web Sites and Listings or will take such other actions with respect to the Internet Web Sites and Listings as Franchisor directs

2.3 Appointment, Power of Attorney Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under the Franchise Agreement and this

Internet Listing Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Internet Listing Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Internet Listing Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.3.1 Direct the Internet Companies to transfer all Franchisee's Interest in and to the Internet Web Sites and Listings to Franchisor,

2.3.2 Direct the Internet Companies to terminate any or all of the Internet Web Sites and Listings, and

2.3.3 Execute the Internet Companies' standard assignment forms or other documents in order to affect such transfer or termination of Franchisee's Interest.

2.4 Certification of Termination Franchisee hereby directs the Internet Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.5 Cessation of Obligations After the Internet Companies have duly transferred all Franchisee's Interest in such Internet Web Sites and Listings to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations under, such Internet Web Sites and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet Companies for the sums Franchisee is obligated to pay such Internet Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interest, or for any other obligations not subject to the Franchise Agreement or this Internet Listing Agreement.

3 MISCELLANEOUS

3.1 Release Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertable in, or in any way related to this Internet Listing Agreement.

3.2 Indemnification Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, demands, or obligations that are related to or are based on this Internet Listing Agreement.

3.3 No Duty The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Internet Web Sites and Listings.

3.4 Further Assurances Franchisee agrees that at any time after the date of this Internet Listing Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Internet Listing Agreement.

3.5 Successors, Assigns, and Affiliates All Franchisor's rights and powers, and all Franchisee's obligations, under this Internet Listing Agreement shall be binding on Franchisee's successors, assigns and affiliated persons or entities as if they had duly executed this Internet Listing Agreement.

3.6 Effect on Other Agreements Except as otherwise provided in this Internet Listing Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein.

3.7 Survival This Internet Listing Agreement shall survive the Termination of the Franchise Agreement.

3.8 Joint and Several Obligations All Franchisee's obligations under this Internet Listing Agreement shall be joint and several.

3.9 Governing Law This Internet Listing Agreement shall be governed by and construed under the laws of the State of California, without regard to the application of California conflict of law rules.

IN WITNESS WHEREOF, the undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISEE

LOVING CUP FRANCHISE COMPANY LLC

ATTEST _____

_____ By _____

_____ By _____

Witness _____ Name _____

_____ Title _____

_____ FRANCHISEE _____

_____ By _____

Witness _____ Name _____

Title _____ Title _____

TELEPHONE LISTING AGREEMENT

THIS TELEPHONE LISTING AGREEMENT (the "Telephone Listing Agreement") is made and entered into as of the _____ day of _____, 20____ (the "Effective Date"), by and between Loving Cup Franchise Company LLC, a California limited liability company (the "Franchisor"), and _____, a _____ (the "Franchisee")

WITNESSETH

WHEREAS, Franchisee desires to enter into a Franchise Agreement with Franchisor for a Loving Cup Store (the "Franchise Agreement"), and

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee's agreement to enter into, comply with and be bound by all the terms and provisions of this Telephone Listing Agreement,

NOW, THEREFORE, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of all of which are hereby acknowledged, the parties hereto agree as follows

1 DEFINITIONS

All terms used but not otherwise defined in this Telephone Listing Agreement shall have the meanings set forth in the Franchise Agreement. "Termination" of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof

2 TRANSFER, APPOINTMENT

2.1 Interest in Telephone Numbers and Listings Franchisee has, or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, yellow-page, and other telephone directory listings (collectively, the "Telephone Numbers and Listings") related to the Franchised Business or the Marks (all of which right, title, and interest is referred to herein as "Franchisee's Interest")

2.2 Transfer On Termination of the Franchise Agreement, if Franchisor directs Franchisee to do so, Franchisee will immediately direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the "Telephone Companies") with which Franchisee has Telephone Numbers and Listings (i) to transfer all Franchisee's Interest in such Telephone Numbers and Listings to Franchisor, and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Numbers and Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Numbers and Listings or will take such other actions with respect to the Telephone Numbers and Listings as Franchisor directs

2.3 Appointment, Power of Attorney Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under the Franchise Agreement and this Telephone Listing Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, on Termination of the

Franchise Agreement, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Telephone Listing Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including, without limitation, this Telephone Listing Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.3.1 Direct the Telephone Companies to transfer all Franchisee's Interest in and to the Telephone Numbers and Listings to Franchisor,

2.3.2 Direct the Telephone Companies to terminate any or all of the Telephone Numbers and Listings, and

2.3.3 Execute the Telephone Companies' standard assignment forms or other documents in order to affect such transfer or termination of Franchisee's Interest.

2.4 Certification of Termination Franchisee hereby directs the Telephone Companies that they shall accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.5 Cessation of Obligations After the Telephone Companies have duly transferred all Franchisee's Interest in such Telephone Numbers and Listings to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further Interest in, or obligations under, such Telephone Numbers and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Telephone Companies for the sums Franchisee is obligated to pay such Telephone Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interest, or for any other obligations not subject to the Franchise Agreement or this Telephone Listing Agreement.

3 MISCELLANEOUS

3.1 Release Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertable in, or in any way related to this Telephone Listing Agreement.

3.2 Indemnification Franchisee is solely responsible for all costs and expenses related to Franchisee's performance, Franchisee's nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and the directors, officers, shareholders, partners, members, employees, agents, and attorneys of Franchisor and its affiliates, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, demands, or obligations that are related to or are based on this Telephone Listing Agreement.

3.3 No Duty The powers conferred on Franchisor under this Telephone Listing Agreement are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any

ATTACHMENT G TO THE FRANCHISE AGREEMENT
POWER OF ATTORNEY (TAX)

IRREVOCABLE POWER OF ATTORNEY

STATE OF _____)
)
COUNTY OF _____)

KNOW ALL MEN BY THESE PRESENTS

That _____, a _____ ("Franchisee"), does hereby irrevocably constitute and appoint Loving Cup Franchise Company LLC, a California limited liability company ("Franchisor"), true and lawful attorney-in-fact and agent for Franchisee and in Franchisee's name, place and stead to do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept, record and file all such agreements, certificates, instruments and documents as, in the sole discretion of Franchisor, shall be necessary or advisable for the sole purpose of obtaining any and all returns, records, reports and other documentation relating to the payment of taxes filed by Franchisee with any state and/or federal taxing authority, including, but not limited to, the State Comptroller of the State of _____, hereby granting unto Franchisor full power and authority to do and perform any and all acts and things which, in the sole discretion of Franchisor, are necessary or advisable to be done as fully to all intents and purposes as Franchisee might or could itself do, hereby ratifying and confirming all that Franchisor may lawfully do or cause to be done by virtue of this Power of Attorney and the powers herein granted

During the term of this Power of Attorney, and regardless of whether Franchisee has designated any other person to act as its attorney-in-fact and agent, no governmental agency, person, firm or corporation dealing with Franchisor, if acting in good faith, shall be required to ascertain the authority of Franchisor, nor to see to the performance of the agency, nor be responsible in any way for the proper application of documents delivered or funds or property paid or delivered to Franchisor. Any governmental agency, person, firm or corporation dealing with Franchisor shall be fully protected in acting and relying on a certificate of Franchisor that this Power of Attorney on the date of such certificate has not been revoked and is in full force and effect, and Franchisee shall not take any action against any person, firm, corporation or agency acting in reliance on such a certificate or a copy of this Power of Attorney. Any instrument or document executed on behalf of Franchisee by Franchisor shall be deemed to include such a certificate on the part of Franchisor, whether or not expressed. This paragraph shall survive any termination of this Power of Attorney.

This Power of Attorney shall terminate two (2) years following the expiration or termination of that certain Franchise Agreement dated as of _____, 20____ by and between Franchisor and Franchisee. Such termination, however, shall not affect the validity of any act or deed that Franchisor may have effected prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable power of attorney coupled with an interest. It is executed and delivered in the State of _____ and the laws of the State of _____ shall govern all questions as to the validity of this Power of Attorney and the construction of its provisions.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney as of the _____ day of _____, 20__

_____, a

By _____
Name _____
Title _____

STATE OF _____)
_____)
COUNTY OF _____)

BEFORE ME, the undersigned authority, on this day personally appeared _____, _____ of _____, known to me to be the person whose name is subscribed to the foregoing instrument, who acknowledged to me that s/he executed the same for the purposes and consideration therein expressed and in the capacity therein stated

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 20__

(SEAL)

Notary Public in and for
The State of _____

My commission expires

ATTACHMENT H TO THE FRANCHISE AGREEMENT
MULTI-STATE ADDENDUM

CALIFORNIA APPENDIX

- 1 California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains provisions that are inconsistent with the law, the law will control.
- 2 The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.)
- 3 The Franchise Agreement contains covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.
- 4 Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.
- 5 Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange.
- 6 You must sign a general release if you renew or transfer your franchise. California Corporation 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).
- 7 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.
- 8 The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
- 9 OUR WEBSITE, www.lovingcup.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.
- 10 The appropriate sections of the Franchise Agreement are amended to state that the highest interest rate allowed under California law is 10% per annum.

ADDENDUM REQUIRED BY THE STATE OF ILLINOIS

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement which designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your right upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

ADDENDUM REQUIRED BY THE STATE OF INDIANA

1 To be added to Item 3 of the Disclosure Document, is the following statement:

There are presently no arbitration proceedings to which the Franchisor is a party.

2 Item 17 of the Disclosure Document is amended to reflect the requirement under Indiana Code 23-2-2 7-1 (9), which states that any post term non-compete covenant must not extend beyond the franchisee's exclusive territory.

3 Item 17 is amended to state that this is subject to Indiana Code 23-2-2 7-1 (10).

4 Under Indiana Code 23-2-2 7-1 (10), jurisdiction and venue must be in Indiana if the franchisee so requests. This amends Article 19 of the Franchise Agreement.

5 Under Indiana Code 23-2-2 7-1 (10), franchisee may not agree to waive any claims or rights.

ADDENDUM REQUIRED BY THE STATE OF MARYLAND

This will serve as the State Addendum for the State of Maryland for Loving Cup Franchise Company LLC's Franchise Disclosure Document and for its Franchise Agreement. The amendments to the Franchise Agreement included in this addendum have been agreed to by the parties.

1 Item 17 of the Disclosure Document is amended to state that the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2 Item 17 of the Disclosure Document is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3 Item 17 of the Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

4 Item 17 of the Disclosure Document is amended to state that the provisions in the Franchise Agreement which provide for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U S C Section 101 et seq)

5 The appropriate sections of the Franchise Agreement are amended to permit a franchisee to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law

6 The appropriate sections of the Franchise Agreement are amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise

7 The appropriate sections of the Franchise Agreement are amended to state that the general release required as a condition of renewal, sale and/or assignment/ transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law

8 The Franchise Agreement and Franchisee Disclosure Acknowledgment Statement are amended to include the following statement "All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law "

DISCLOSURE REQUIRED BY THE STATE OF MICHIGAN

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

(a) A prohibition on the right of a franchisee to join an association of franchises

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation This subsection applies only if (i) the term of the franchise is less than five (5) years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the

franchisee does not receive at least six (6) months' advance notice of franchisor's intent not to renew the franchise

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) Failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to

Consumer Protection Division
Attn Marilyn McEwen
525 W Ottawa Street, 6th Floor
Lansing, Michigan 48933
(517) 373-7117

ADDENDUM REQUIRED BY THE STATE OF MINNESOTA

This addendum to the Disclosure Document is agreed to this ____ day of _____, 20____, and effectively amends and revises said Disclosure Document and Franchise Agreement as follows

1 Item 13 of the Disclosure Document and Article 9 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein

“In accordance with applicable requirements of Minnesota law, Franchisor shall protect Franchisee’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding such use ”

2 Item 17 of the Disclosure Document and Articles 3 and 17 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein

‘ With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes Sec 80C 14, Subds 3, 4 and 5, which require (except in certain specified cases) that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld ”

3 Item 17 of the Disclosure Document and Article 19 of the Franchise Agreement are amended by the addition of the following language to amend the Governing Law, Jurisdiction and Venue, and Choice of Forum sections

‘ Minn Stat Sec 80C 21 and Rule 2860 4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce any of the franchisee’s rights’ as provided for in Minnesota Statutes, Chapter 80C, or franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction ”

4 Item 17 of the Disclosure Document and Articles 3 and 14 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein

“Minn Rule 2860 4400D prohibits us from requiring you to assent to a general release ”

5 Any reference to liquidated damages in the Franchise Agreement is hereby deleted in accordance with Minn Rule 2860 4400J which prohibits requiring you to consent to liquidated damages

6 Section 19 10 of the Franchise Agreement is hereby deleted in accordance with Minn Rule 2860 4400J which prohibits waiver of a jury trial

7 Article 19 of the Franchise Agreement regarding Limitations of Claims is hereby amended to comply with Minn Stat §80C 17, Subd 5

8 Item 6, Insufficient Fund Fees NSF fees are governed by Minnesota Statute 604 113, which puts a cap of \$30 on a NSF check This applies to everyone in Minnesota who accepts checks except banks

9 Under Minn Rule 2860 440J, the franchisee cannot consent to the franchisor obtaining injunctive relief The franchisor may seek injunctive relief A court will determine if a bond is required The appropriate sections of the Franchise Agreement are hereby amended accordingly

ADDENDUM REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT H OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271 THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT

2 The following is added at the end of Item 3

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark

- A No such party has an administrative, criminal or civil action pending against that person alleging a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations
- B No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations
- C No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for

registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging violation of a franchise, antifraud, or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations

- D No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange, or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent

- 3 The following is added to the end of Item 4

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular (a) filed as debtor (or had filed against it) a petition to start an action under the U S Bankruptcy Code, (b) obtained a discharge of its debts under the bankruptcy code, or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U S Bankruptcy Code or that obtained a discharge of its debts under the U S Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership

- 4 The following is added to the end of Item 5

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion

- 5 The following is added to the end of the ‘Summary’ sections of Item 17(c), titled ‘Requirements for franchisee to renew or extend,’ and Item 17(m), entitled ‘Conditions for franchisor approval of transfer’

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force, it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687 4 and 687 5 be satisfied

- 6 The following language replaces the ‘Summary’ section of Item 17(d), titled ‘Termination by franchisee’

You may terminate the agreement on any grounds available by law

- 7 The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement

8 The following is added to the end of the "Summary" sections of Item 17(v), titled 'Choice of forum', and Item 17(w), titled 'Choice of law'

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York

ADDENDUM REQUIRED BY THE STATE OF NORTH DAKOTA

This addendum to the Disclosure Document and Franchise Agreement effectively amends and revises said documents as follows

1 Item 17(c) of the Disclosure Document and Articles 3 and 14 of the Franchise Agreement are hereby amended to indicate that a franchisee shall not be required to sign a general release

2 Covenants not to compete are generally considered unenforceable in the State of North Dakota, in accordance with Section 51-19-09 of the North Dakota Franchise Investment Law Item 17(r) of the Disclosure Document and Article 10 of the Franchise Agreement are amended accordingly

3 Item 6 and Item 17(i) of the Disclosure Document and Article 18 of the Franchise Agreement requires the franchisee to consent to termination or liquidated damages Since the Commissioner has determined this to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law, these provisions are hereby deleted in each place they appear in the Disclosure Document and Franchise Agreement used in North Dakota

4 Item 17(u) of the Disclosure Document and Article 19 of the Franchise Agreement are amended to provide that arbitration shall be held at a site that is agreeable to all parties

5 Item 17(v) of the Disclosure Document and the provisions of Article 19 of the Franchise Agreement which require jurisdiction of courts in San Francisco County, California are deleted

6 Item 17(w) of the Disclosure Document and Article 19 of the Franchise Agreement are amended to indicate that the agreements are to be construed according to the laws of the State of North Dakota

7 Apart from civil liability as set forth in Section 51-19-12 N D C C , which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud), the liability of the franchisor to a franchisee is based largely on contract law Despite the fact that those provisions are not contained in the franchise investment law, those provisions contain substantive rights intended to be afforded to North Dakota residents Therefore, North Dakota franchisees will not be required to waive their rights under North Dakota law

8 The provisions of Article 19 of the Franchise Agreement which require a franchisee to consent to (1) a waiver of trial by jury and (2) a waiver of exemplary and punitive damages are contrary to Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby deleted

9 The provisions of Article 19 of the Franchise Agreement which require a franchisee to consent to a limitation of claims are hereby amended to state that the statute of limitations under North Dakota law applies

ADDENDUM REQUIRED BY THE STATE OF RHODE ISLAND

The following amends Item 17 and is required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself

Section 19-28 1-14 of the Rhode Island Franchise Investment Act provides that

“A provision in a franchise agreement restricting jurisdiction or venue to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act ”

ADDENDUM REQUIRED BY THE COMMONWEALTH OF VIRGINIA

In recognition of the restrictions contained in Section 13 1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Loving Cup Franchise Company LLC for use in the Commonwealth of Virginia shall be amended as follows

1 Additional Disclosure The following statements are added to Item 17 h

Pursuant to Section 13 1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause If any grounds for default or termination stated in the franchise agreement and development agreement does not constitute ‘ reasonable cause,’ as that the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, the provision may not be enforceable

Pursuant to Section 13 1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable

ADDENDUM REQUIRED BY THE STATE OF WASHINGTON

The State of Washington has a statute, RCW 19 100 180, which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise There may also be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19 100 RCW shall prevail

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act or rights or remedies under the Act, such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20____

ATTEST _____ FRANCHISOR
LOVING CUP FRANCHISE COMPANY LLC

ATTEST _____

Witness _____ By _____
Name _____
Title _____

FRANCHISEE

Witness _____ By _____
Name _____
Title _____

ATTACHMENT I TO THE FRANCHISE AGREEMENT

TRANSFER OF A FRANCHISE TO A CORPORATION OR LIMITED LIABILITY COMPANY

This Transfer Agreement shall amend that certain Franchise Agreement between _____
(' Franchisee") and Loving Cup Franchise Company LLC ("Franchisor")

The undersigned, an Officer, Director and Owner of a majority of the issued and outstanding voting stock of the Corporation set forth below, or Members of the issued and outstanding Interests of the Limited Liability Company set forth below, and the Franchisee of the Store under a Franchise Agreement executed on the date set forth below, between himself or herself and Franchisor, granting him/her a franchise to operate at the location set forth below, and the other undersigned Directors, Officers and Shareholders of the Corporation, or the Members of the Limited Liability Company, who together with Franchisee constitute all of the Shareholders of the Corporation, or the Members of the Limited Liability Company, in order to induce Franchisor to consent to the assignment of the Franchise Agreement to the Corporation or Limited Liability Company in accordance with the provisions of Article 14 of the Franchise Agreement, agree as follows

1 The undersigned Franchisee shall remain personally liable in all respects under the Franchise Agreement and all the other undersigned Officers, Directors and Shareholders of the Corporation, or the Members of the Limited Liability Company, intending to be legally bound hereby, agree jointly and severally to be personally bound by the provisions of the Franchise Agreement including the restrictive covenants contained in Article 10 thereof, to the same extent as if each of them were the Franchisee set forth in the Franchise Agreement and they jointly and severally personally guarantee all of the Franchisee's obligations set forth in said Agreement

2 The undersigned agree not to transfer any stock in the Corporation, or any interest in the Limited Liability Company without the prior written approval of the Franchisor and agree that all stock certificates representing shares in the Corporation, or all certificates representing interests in the Limited Liability Company shall bear the following legend

"The shares of stock represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated _____ 20__ between _____ and Loving Cup Franchise Company LLC" "

or

"The ownership interests represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated _____, 20__ between _____ and Loving Cup Franchise Company LLC" "

3 _____ or his designee shall devote his best efforts to the day-to-day operation and development of the Store

4 _____ hereby agrees to become a party to and to be bound by all of the provisions of the Franchise Agreement executed on the date set forth below between Franchisee and Franchisor, to the same extent as if it were named as the Franchisee therein

Date of Franchise Agreement _____

Location of Store _____

WITNESS

As to Paragraph 3

[Name]

As to Paragraph 4

[Name]

ATTEST

Name of Corp or Limited Liability Company

By _____
Title _____

In consideration of the execution of the above Agreement, Loving Cup Franchise Company LLC hereby consents to the above referred to assignment on this _____ day of _____, 20__

LOVING CUP FRANCHISE COMPANY LLC

By _____
Name _____
Title _____

ATTACHMENT J TO THE FRANCHISE AGREEMENT

FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

As you know, Loving Cup Franchise Company LLC (the "Franchisor") and you are preparing to enter into a franchise agreement (the "Franchise Agreement") for the establishment and operation of a Loving Cup Store (the "Franchised Business"). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor ("Broker") that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1 Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from an existing Franchisee?

Yes _____ No _____

2 I had my first face-to-face meeting with a Franchisor representative on _____, 20____

3 Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

4 Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary)

5 Have you received and personally reviewed the Franchisor's Disclosure Document that was provided to you?

Yes _____ No _____

6 Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____

7 Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes _____ No _____

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary)

8 Have you discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9 Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes _____ No _____

10 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

11 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

12 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised Business will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

13 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

14 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

Yes _____ No _____

15 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or franchise agreement?

Yes _____ No _____

16 Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17 Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

18 Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? _____

If you have answered No to question 9, or Yes to any one of questions 10-17, please provide a full explanation of each answer in the following blank lines (Attach additional pages, if necessary, and refer to them below) If you have answered Yes to question 9, and No to each of questions 10-17, please leave the following lines blank

I signed the Franchise Agreement and Addendum (if any) on _____, 20____, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that

A You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

C You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is

- (i) a person or entity listed in the Annex to the Executive Order,
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism,
- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism, or
- (iv) owned or controlled by terrorists or sponsors of terrorism

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure

Acknowledged this _____ day of _____, 20____

Sign here if you are taking the franchise as an
INDIVIDUAL

Sign here if you are taking the franchise as a
CORPORATION, LIMITED LIABILITY
COMPANY OR PARTNERSHIP

Signature

Print Name of Legal Entity

Print Name

By _____
Signature

Signature

Print Name

Print Name

Title

Signature

Print Name

Signature

Print Name

ATTACHMENT K TO THE FRANCHISE AGREEMENT
AMERICANS WITH DISABILITIES ACT CERTIFICATION

Loving Cup Franchise Company LLC ('Franchisor') and _____
(Franchisee') are parties to a Franchise Agreement dated _____ for the operation of
a "Loving Cup" Store at _____ (the ' Franchised Business") In accordance
with Article 2 of the Franchise Agreement, Franchisee certifies to Franchisor that to the best of
Franchisee's knowledge, the Franchised Business and its adjacent areas comply with all applicable
federal, state and local accessibility laws, statutes, codes, rules, regulations and standards, including but
not limited to the Americans with Disabilities Act Franchisee acknowledges that it is an independent
contractor and the requirement of this certification by Franchisee does not constitute ownership, control,
leasing or operation of the Franchised Business Franchisee acknowledges that Franchisee has relied on
the information contained in this certification Furthermore, Franchisee acknowledge its obligation under
this Franchise Agreement to indemnify Franchisor and the officers, directors, and employees of
Franchisor in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and
damages incurred by the indemnified party(ies) as a result of any matters associated with Franchisee's
compliance with the Americans with Disabilities Act, as well as the costs, including attorneys' fees,
related to the same

FRANCHISEE

By _____
Name _____
Title _____

ATTACHMENT L TO THE FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given on _____,
by _____

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the 'Agreement') on this date by Loving Cup Franchise Company LLC ("us", "we", or "our"), and that each of the undersigned personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement and afterward as provided in the Agreement, that _____ ("Franchisee") will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition, confidentiality and arbitration requirements

Each of the undersigned consents and agrees that (1) his or her direct and immediate liability under this Guaranty will be joint and several, (2) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so, (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against Franchisee or any other person, and (4) this liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance of the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement

Each of the undersigned waives all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Guaranty

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

GUARANTOR(S)

Witness

Name

Witness

Name

Witness

Name

Witness

Name

ATTACHMENT M TO THE FRANCHISE AGREEMENT

ADDENDUM TO FRANCHISE AGREEMENT FOR CONVERSION FRANCHISE

THIS ADDENDUM dated this ____ day of _____, 20____, hereby amends and modifies the Loving Cup Franchise Agreement dated _____ (the "Franchise Agreement"), by and between Loving Cup Franchise Company LLC, a California limited liability company whose principal office is located at 376 Marin Avenue, Mill Valley, California, 94941 (hereinafter "Franchisor"), and _____, a _____ with a principal address at _____ ('Franchisee')

The parties hereby amend the Franchise Agreement in accordance with the following, in addition to the deletions, additions and modifications (which shall control in the event of any ambiguity between any of them and the terms of the pre-printed form), which appear on the pre-printed form of agreement to which this Addendum is attached. In the event of any conflict or ambiguity between the terms of this Addendum and the Franchise Agreement, the terms of this Addendum shall control.

1 Section 2.2 of the Franchise Agreement titled 'Site Selection' shall be amended by deleting subsection 2.2.1 therefrom and replacing it with the following language:

"2.2.1 You and we agree that we have accepted the location you currently possess as the Accepted Location for your Store. You acknowledge and agree that our acceptance of a location for the Store is not a warranty or guaranty, express or implied, that you will achieve any particular level of success at the location or that your Store will be profitable. Our acceptance of a location for the Store only signifies that the location meets our then-current minimum criteria for a Loving Cup Store."

2 Section 2.6 of the Franchise Agreement titled 'Opening Date, Time is of the Essence' shall be amended by stating that you shall open the Store and commence business not later than four (4) months after the date on which you execute the Franchise Agreement.

3 Section 4.1 of the Franchise Agreement titled 'Initial Franchise Fee' shall be amended by stating that the initial franchise fee payable upon execution of the Franchise Agreement shall be equal to seventy-five percent (75%) of our initial franchise fee for a single unit franchise, or Twenty-Two Thousand Five Hundred Dollars (\$22,500).

4 Section 5.1 of the Franchise Agreement titled "Site Selection Guidelines" shall be deleted in its entirety and replaced with the following: "Intentionally omitted."

5 Section 5.2 of the Franchise Agreement titled "On-Site Evaluation" shall be deleted in its entirety and replaced with the following: "Intentionally omitted."

6 Section 17.1 of the Franchise Agreement titled "Automatic Termination – No Right To Cure" shall be amended by deleting subsection 17.1.3(b) in its entirety and replacing the text with the following: "Intentionally omitted."

[Signatures appear on the next page]

IN WITNESS WHEREOF the parties hereto have executed this Addendum as of the date first written above

LOVING CUP FRANCHISE COMPANY LLC

Witness

By _____
Name _____
Title _____

FRANCHISEE

Witness

By _____
Name _____
Title _____

Exhibit C to the Loving Cup Franchise Disclosure Document

LIST OF FRANCHISEES

(as of December 31, 2016~~2017~~)

None

Exhibit D to the Loving Cup Franchise Disclosure Document

FRANCHISEES WHO HAVE LEFT THE SYSTEM

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system

(as of December 31, 20162017)

None

Exhibit E to the Loving Cup Franchise Disclosure Document

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Exhibit F to the Loving Cup Franchise Disclosure Document

MULTI-STATE ADDENDUM

CALIFORNIA APPENDIX

- 1 California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains provisions that are inconsistent with the law, the law will control.
- 2 The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).
- 3 The Franchise Agreement contains covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.
- 4 Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.
- 5 Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange.
- 6 You must sign a general release if you renew or transfer your franchise. California Corporation 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).
- 7 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.
- 8 The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
- 9 OUR WEBSITE, www.lovingcup.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.
- 10 The appropriate sections of the Franchise Agreement are amended to state that the highest interest rate allowed under California law is 10% per annum.

ADDENDUM REQUIRED BY THE STATE OF ILLINOIS

Illinois law governs the agreements between the parties to this franchise

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement which designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your right upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

ADDENDUM REQUIRED BY THE STATE OF INDIANA

1 To be added to Item 3 of the Disclosure Document, is the following statement:

There are presently no arbitration proceedings to which the Franchisor is a party.

2 Item 17 of the Disclosure Document is amended to reflect the requirement under Indiana Code 23-2-2 7-1 (9), which states that any post term non-compete covenant must not extend beyond the franchisee's exclusive territory.

3 Item 17 is amended to state that this is subject to Indiana Code 23-2-2 7-1 (10).

4 Under Indiana Code 23-2-2 7-1 (10), jurisdiction and venue must be in Indiana if the franchisee so requests. This amends Article 19 of the Franchise Agreement.

5 Under Indiana Code 23-2-2 7-1 (10), franchisee may not agree to waive any claims or rights.

ADDENDUM REQUIRED BY THE STATE OF MARYLAND

This will serve as the State Addendum for the State of Maryland for Loving Cup Franchise Company LLC's Franchise Disclosure Document and for its Franchise Agreement. The amendments to the Franchise Agreement included in this addendum have been agreed to by the parties.

1 Item 17 of the Disclosure Document is amended to state that the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2 Item 17 of the Disclosure Document is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3 Item 17 of the Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

4 Item 17 of the Disclosure Document is amended to state that the provisions in the Franchise Agreement which provide for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U S C Section 101 et seq)

5 The appropriate sections of the Franchise Agreement are amended to permit a franchisee to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law

6 The appropriate sections of the Franchise Agreement are amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise

7 The appropriate sections of the Franchise Agreement are amended to state that the general release required as a condition of renewal, sale and/or assignment/ transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law

8 The Franchise Agreement and Franchisee Disclosure Acknowledgment Statement are amended to include the following statement ‘ All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law ”

DISCLOSURE REQUIRED BY THE STATE OF MICHIGAN

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

(a) A prohibition on the right of a franchisee to join an association of franchises

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee’s inventory, supplies, equipment, fixtures and furnishings Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation This subsection applies only if (i) the term of the franchise is less than five (5) years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising

or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months' advance notice of franchisor's intent not to renew the franchise

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) Failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to

Consumer Protection Division
Attn: Marilyn McEwen
525 W. Ottawa Street, 6th Floor
Lansing, Michigan 48933
(517) 373-7117

ADDENDUM REQUIRED BY THE STATE OF MINNESOTA

This addendum to the Disclosure Document is agreed to this ____ day of _____, 20____, and effectively amends and revises said Disclosure Document and Franchise Agreement as follows:

1 Item 13 of the Disclosure Document and Article 9 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“In accordance with applicable requirements of Minnesota law, Franchisor shall protect Franchisee’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding such use.”

2 Item 17 of the Disclosure Document and Articles 3 and 17 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes Sec. 80C.14, Subds. 3, 4 and 5, which require (except in certain specified cases) that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.”

3 Item 17 of the Disclosure Document and Article 19 of the Franchise Agreement are amended by the addition of the following language to amend the Governing Law, Jurisdiction and Venue, and Choice of Forum sections:

“Minn. Stat. Sec. 80C.21 and Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.”

4 Item 17 of the Disclosure Document and Articles 3 and 14 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release.”

5 Any reference to liquidated damages in the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits requiring you to consent to liquidated damages.

6 Section 19 10 of the Franchise Agreement is hereby deleted in accordance with Minn Rule 2860 4400J which prohibits waiver of a jury trial

7 Article 19 of the Franchise Agreement regarding Limitations of Claims is hereby amended to comply with Minn Stat §80C 17, Subd 5

8 Item 6, Insufficient Fund Fees NSF fees are governed by Minnesota Statute 604 113, which puts a cap of \$30 on a NSF check This applies to everyone in Minnesota who accepts checks except banks

9 Under Minn Rule 2860 440J, the franchisee cannot consent to the franchisor obtaining injunctive relief The franchisor may seek injunctive relief A court will determine if a bond is required The appropriate sections of the Franchise Agreement are hereby amended accordingly

ADDENDUM REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT H OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271 THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT

2 The following is added at the end of Item 3

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark

- A No such party has an administrative, criminal or civil action pending against that person alleging a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations
- B No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations
- C No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for

registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging violation of a franchise, antifraud, or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations

- D No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange, or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent

- 3 The following is added to the end of Item 4

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular (a) filed as debtor (or had filed against it) a petition to start an action under the U S Bankruptcy Code, (b) obtained a discharge of its debts under the bankruptcy code, or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U S Bankruptcy Code or that obtained a discharge of its debts under the U S Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership

- 4 The following is added to the end of Item 5

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion

- 5 The following is added to the end of the ‘Summary’ sections of Item 17(c), titled ‘Requirements for franchisee to renew or extend,’ and Item 17(m), entitled “Conditions for franchisor approval of transfer”

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force, it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687 4 and 687 5 be satisfied

- 6 The following language replaces the “Summary” section of Item 17(d), titled ‘Termination by franchisee’

You may terminate the agreement on any grounds available by law

- 7 The following is added to the end of the ‘Summary’ section of Item 17(j), titled “Assignment of contract by franchisor”

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement

8 The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum", and Item 17(w), titled "Choice of law"

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York

ADDENDUM REQUIRED BY THE STATE OF NORTH DAKOTA

This addendum to the Disclosure Document and Franchise Agreement effectively amends and revises said documents as follows

1 Item 17(c) of the Disclosure Document and Articles 3 and 14 of the Franchise Agreement are hereby amended to indicate that a franchisee shall not be required to sign a general release

2 Covenants not to compete are generally considered unenforceable in the State of North Dakota, in accordance with Section 51-19-09 of the North Dakota Franchise Investment Law Item 17(r) of the Disclosure Document and Article 10 of the Franchise Agreement are amended accordingly

3 Item 6 and Item 17(i) of the Disclosure Document and Article 18 of the Franchise Agreement requires the franchisee to consent to termination or liquidated damages Since the Commissioner has determined this to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law, these provisions are hereby deleted in each place they appear in the Disclosure Document and Franchise Agreement used in North Dakota

4 Item 17(u) of the Disclosure Document and Article 19 of the Franchise Agreement are amended to provide that arbitration shall be held at a site that is agreeable to all parties

5 Item 17(v) of the Disclosure Document and the provisions of Article 19 of the Franchise Agreement which require jurisdiction of courts in San Francisco County, California are deleted

6 Item 17(w) of the Disclosure Document and Article 19 of the Franchise Agreement are amended to indicate that the agreements are to be construed according to the laws of the State of North Dakota

7 Apart from civil liability as set forth in Section 51-19-12 N D C C , which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud), the liability of the franchisor to a franchisee is based largely on contract law Despite the fact that those provisions are not contained in the franchise investment law, those provisions contain substantive rights intended to be afforded to North Dakota residents Therefore, North Dakota franchisees will not be required to waive their rights under North Dakota law

8 The provisions of Article 19 of the Franchise Agreement which require a franchisee to consent to (1) a waiver of trial by jury and (2) a waiver of exemplary and punitive damages are contrary to Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby deleted

9 The provisions of Article 19 of the Franchise Agreement which require a franchisee to consent to a limitation of claims are hereby amended to state that the statute of limitations under North Dakota law applies

ADDENDUM REQUIRED BY THE STATE OF RHODE ISLAND

The following amends Item 17 and is required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself

Section 19-28 1-14 of the Rhode Island Franchise Investment Act provides that

‘ A provision in a franchise agreement restricting jurisdiction or venue to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act ’

ADDENDUM REQUIRED BY THE COMMONWEALTH OF VIRGINIA

In recognition of the restrictions contained in Section 13 1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Loving Cup Franchise Company LLC for use in the Commonwealth of Virginia shall be amended as follows

1 Additional Disclosure The following statements are added to Item 17 h

Pursuant to Section 13 1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause If any grounds for default or termination stated in the franchise agreement and development agreement does not constitute ‘ reasonable cause, ’ as that the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, the provision may not be enforceable

Pursuant to Section 13 1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable

ADDENDUM REQUIRED BY THE STATE OF WASHINGTON

The State of Washington has a statute, RCW 19 100 180, which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise There may also be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19 100 RCW shall prevail

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act or rights or remedies under the Act, such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20____

ATTEST

LOVING CUP FRANCHISE COMPANY LLC

Witness

By _____
Name _____
Title _____

FRANCHISEE

Witness

By _____
Name _____
Title _____

Exhibit G to the Loving Cup Franchise Disclosure Document

FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

As you know, Loving Cup Franchise Company LLC (the 'Franchisor') and you are preparing to enter into a franchise agreement (the "Franchise Agreement") for the establishment and operation of a Loving Cup Store (the 'Franchised Business'). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor or by employees or authorized representatives of a broker acting on behalf of the Franchisor ('Broker ') that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1 Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from an existing Franchisee?

Yes _____ No _____

2 I had my first face-to-face meeting with a Franchisor representative on _____, 20____

3 Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

4 Do you understand all of the information contained in the Franchise Agreement each addendum, and/or related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary)

5 Have you received and personally reviewed the Franchisor's Disclosure Document that was provided to you?

Yes _____ No _____

6 Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____

7 Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes _____ No _____

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary)

8 Have you discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9 Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes _____ No _____

10 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

11 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

12 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised Business will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

13 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

14 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

Yes _____ No _____

15 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or franchise agreement?

Yes _____ No _____

16 Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17 Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

18 Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? _____

If you have answered No to question 9, or Yes to any one of questions 10-17, please provide a full explanation of each answer in the following blank lines (Attach additional pages, if necessary, and refer to them below) If you have answered Yes to question 9, and No to each of questions 10-17, please leave the following lines blank

I signed the Franchise Agreement and Addendum (if any) on _____, 20____, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that

A You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks

B You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None"

C You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is

- (i) a person or entity listed in the Annex to the Executive Order,
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism,
- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism, or
- (iv) owned or controlled by terrorists or sponsors of terrorism

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure

Acknowledged this _____ day of _____, 20____

Sign here if you are taking the franchise as an
INDIVIDUAL

Signature

Print Name _____

Signature

Print Name _____

Signature

Print Name _____

Signature

Print Name _____

Sign here if you are taking the franchise as a
CORPORATION, LIMITED LIABILITY
COMPANY OR PARTNERSHIP

Print Name of Legal Entity

By _____
Signature

Print Name _____

Title _____

Exhibit H to the Loving Cup Franchise Disclosure Document

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, Loving Cup Franchise Company LLC has 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 below in which Loving Cup Franchise Company LLC has appointed an agent for service of process.

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

<u>CALIFORNIA</u> Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500 Toll Free (866) 275-2677 Agent California Commissioner of Business Oversight 1515 K Street, Suite 200 Sacramento, CA 95814 (916) 445-7205 1350 Front Street San Diego, CA 92101 (619) 525-4233 1 Sansome Street, Suite 600 San Francisco, CA 94104 (415) 972-8559	<u>CONNECTICUT</u> State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230 Agent Banking Commissioner
<u>HAWAII</u> (state administrator) Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 (agent for service of process) Commissioner of Securities State of Hawaii 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2722	<u>ILLINOIS</u> The Attorney General Office of the Attorney General 500 South Second Street Springfield Illinois 62706 (217) 782-4465

<u>INDIANA</u> (state administrator) Indiana Secretary of State Securities Division E-111 302 Washington Street Indianapolis Indiana 46204 (317) 232-6681 (agent for service of process) Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531	<u>MARYLAND</u> (state administrator) Office of the Attorney General Securities Division 200 St Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360 (for service of process) Maryland Securities Commissioner 200 St Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
<u>MICHIGAN</u> (state administrator) Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 525 W Ottawa Street, 6th Floor Lansing, Michigan 48933 (517) 373-7117 (for service of process) Corporations Division Bureau of Commercial Services Department of Labor and Economic Growth P O Box 30054 Lansing, Michigan 48909	<u>MINNESOTA</u> (state administrator) Minnesota Department of Commerce 85 7th Place East, Suite 280 St Paul, Minnesota 55101-2198 (651) 539-1600 (for service of process) Minnesota Commissioner of Commerce
<u>NEW YORK</u> (Administrator) Office of the New York State Attorney General Investor Protection Bureau, Franchise Section 120 Broadway, 23rd Floor New York, New York 10271-0332 (212) 416-8236 Phone (212) 416-6042 Fax (Agent for service of process) Attention NY Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492	<u>NORTH DAKOTA</u> North Dakota Securities Department State Capitol, Fifth Floor, Dept 414 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712

<u>OREGON</u> Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4387 Agent Director of the Department of Consumer and Business Services	<u>RHODE ISLAND</u> Division of Securities Rhode Island Dept of Business Regulation John O Pastore Complex – Bldg 69-1 1511 Pontiac Avenue Cranston, RI 02920 (401) 462-9500
<u>SOUTH DAKOTA</u> Division of <u>Insurance</u> Securities Department of Labor & Regulation 124 S Euclid Avenue, Suite 104 Pierre, South Dakota 57501-3168 (605) 773-4823 <u>3563</u>	<u>VIRGINIA</u> State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051 (for service of process) Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733
<u>WASHINGTON</u> (state administrator) Department of Financial Institutions Securities Division 150 Israel Road S W Tumwater, Washington 98501 (360) 902-8760 (for service of process) Director, Department of Financial Institutions Securities Division 150 Israel Road S W Tumwater, Washington 98501	<u>WISCONSIN</u> (state administrator) Division of Securities Department of Financial Institutions 201 W Washington Ave , 3rd Floor Madison, Wisconsin 53703 (608) 266-1064 (for service of process) Administrator, Division of Securities Department of Financial Institutions 201 W Washington Ave , 3rd Floor Madison, Wisconsin 53703

Exhibit I to the Loving Cup Franchise Disclosure Document

FORM OF GENERAL RELEASE

THIS AGREEMENT (Agreement") is made and entered into this ____ day of _____, 20__ by and between Loving Cup Franchise Company LLC, a California limited liability company having its principal place of business located at 376 Marin Avenue, Mill Valley, California, 94941 (the "Franchisor"), and _____, a _____ with a principal address at _____ (hereinafter referred to as "Releasor"), wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein are set forth, do agree as follows

1 Release by Releasor

Releasor does for itself, its successors and assigns, hereby release and forever discharge generally the Franchisor and any affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, or agent of any of them, from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Releasor may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with the Agreement, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Franchisor, any affiliate, successor, assign, parent corporation, subsidiary, director, officer, shareholder, employee, agent, executor, administrator, estate, trustee or heir, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Agreement. In the event Releasor breaches any of the promises, covenants, or undertakings made herein by any act or omission, Releasor shall pay, by way of indemnification, all costs and expenses of the Franchisor caused by the act or omission, including reasonable attorneys' fees.

2 Releasor hereto represents and warrants that no portion of any claim, right, demand, obligation, debt, guarantee or cause of action released hereby has been assigned or transferred by Releasor party to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law. In the event that any claim, demand or suit shall be made or institute against any released party because of any such purported assignment, transfer or subrogation, the assigning or transferring party agrees to indemnify and hold such released party free and harmless from and against any such claim, demand or suit, including reasonable costs and attorneys' fees incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

3 Each party acknowledges and warrants that his, her or its execution of this Agreement is free and voluntary.

4 California law shall govern the validity and interpretation of this Agreement, as well as the performance due thereunder. This Agreement is binding upon and inures to the benefit of the respective assigns, successors, heirs and legal representatives of the parties hereto.

5 In the event that any action is filed to interpret any provision of this Agreement, or to enforce any of the terms thereof, the prevailing party shall be entitled to its reasonable attorneys' fees and costs incurred therein, and said action must be filed in the State of California

6 This Agreement may be signed in counterparts, each of which shall be binding against the party executing it and considered as the original

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed this agreement effective as of the date first above

Witness

RELEASOR

(Name)

LOVING CUP FRANCHISE COMPANY LLC

Witness

By _____
Name _____
Title _____

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 Loving Cup Franchise Company LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to the franchisor or an Affiliate in connection with the proposed franchise sale. ~~New York and Rhode Island require~~ 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 and Oregon require~~ requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Loving Cup Franchise Company LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC, 20580, and the appropriate state agency listed on Exhibit H.

The franchisor is Loving Cup Franchise Company LLC, located at 376 Marin Avenue, Mill Valley, California 94941. Its telephone number is (415)-795-1549.

Issuance date ~~September 15, 2017~~ March 8, 2018

The name, principal business address and telephone number of the franchise seller for this offering is:

<u>Elizabeth Fiedler, 376 Marin Avenue, Mill Valley, CA, 94941, 415-795-1549</u>
<u>Desraeli Fiedler, 376 Marin Avenue, Mill Valley, CA, 94941, 415-795-1549</u>
<u>Nicolas Bernadi, 2325 Pine Street, San Francisco, CA, 94115, 650-283-8548</u>
<u>Jennifer Hand, PO Box 641631, San Francisco, CA, 94164, 415-735-4275</u>

Loving Cup Franchise Company LLC authorizes the agents listed in Exhibit H to receive service of process for it.

I have received a disclosure document dated ~~September 15, 2017~~ March 8, 2018, that included the following Exhibits:

A – Financial Statements	F – Multi-State Addendum
B – Franchise Agreement	G – Franchisee Disclosure Acknowledgment Statement
C – List of Franchisees	H – List of State Administrators/Agents for Service of Process
D – Franchisees Who Have Left the System	I – Form of General Release
E – Table of Contents of <u>Confidential</u> Operations Manual	

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 Loving Cup Franchise Company LLC at 376 Marin Avenue, Mill Valley, California, 94941, or by ~~e-mailing~~ mailing a scanned

copy of the signed and dated receipt to Loving Cup Franchise Company LLC at
info@lovingcupfranchise.com

RECEIPT

(RETURN THIS COPY TO US)

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copy of the signed and dated receipt to Loving Cup Franchise Company LLC at
info@lovingcupfranchise.com