**FRANCHISE DISCLOSURE DOCUMENT**

**Rush Bowls Franchising, LLC**
a Colorado limited liability company
11031 Sheridan Boulevard, Suite One
Westminster, Colorado 80020
Telephone: (720) 487-9317
Email: franchisor@rushbowls.com
www.rushbowls.com

Rush Bowls restaurants offer wholesome, all-natural high-quality bowls and smoothies made from acai, fruit, organic granola, and other ingredients under the name "Rush Bowls®" (each, a "Rush Bowls Restaurant"). We offer franchises for single Rush Bowls Restaurants and area development franchises for the right to open multiple Rush Bowls Restaurants.

The total investment necessary to begin operation of a single Rush Bowls Restaurant is between $197,000 and $541,500. This includes $44,000 that must be paid to the franchisor or its affiliates. Rush Bowls area developers acquire the right to develop multiple Rush Bowls Restaurants within a designated development area. The total investment necessary to begin operation as a Rush Bowls area developer with two or three Rush Bowls Restaurants is between $237,000 and $581,500. This includes $84,000 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation as a Rush Bowls area developer with four or five Rush Bowls Restaurants is between $257,000 and $601,500. This includes $104,000 that must be paid to the franchisor or its affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Andrew Pudalov, President, at 11031 Sheridan Boulevard, Suite One, Westminster, Colorado 80020, (720) 487-9317 or franchisor@rushbowls.com.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at (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: March 14, 2022.

## How to Use This Franchise Disclosure Document

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

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

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

## Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

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

2. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

**NOTICE REQUIRED BY**
**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.**

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that the franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This will 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 terms except for good cause. Good cause will include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five 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 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 or 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 will 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 will include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or 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 there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 G. Mennen Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

**THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.**

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EXHIBITS:

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## ITEM 1
## THE FRANCHISOR, AND ANY PARENT, PREDECESSORS, AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, "we," "us," and "our" mean Rush Bowls Franchising, LLC, the franchisor. "You," "your," and "Franchisee" mean the person and its owners (if the Franchisee is a business entity) who buys the franchise from us.

The Franchisor

We are a Colorado limited liability company organized on March 5, 2015. We operate under the names "Rush Bowls Franchising" and "Rush Bowls." Our principal business address is 11031 Sheridan Boulevard, Suite One, Westminster, Colorado 80020. We have offered franchises for Rush Bowls Restaurants since March 2015. We do not conduct business under any other name or in any other line of business and we do not offer franchises in any other line of business. We do not conduct, and have never conducted, a business of the type described in this Franchise Disclosure Document. We have no parents or predecessors.

We have two affiliates.

LR Industries, Inc. is a Colorado corporation incorporated on May 13, 2004, whose principal business address is 5078 Cottonwood Drive, Boulder, Colorado 80301 ("LR"). LR owns and has operated the Rush Bowls Restaurant at 1207 13th Street, Boulder, Colorado 80302 since 2004. LR also owns the trademarks for "Rush Bowls" and licenses them to us.

WLR Industries, Inc. is a Colorado corporation incorporated on May 20, 2009, whose principal business address is 5078 Cottonwood Drive, Boulder, Colorado 80301 ("WLR"). WLR owns and operates our packaged foods business and manufactures frozen products for sale to supermarkets and other locations. WLR doesn't currently sell these products to Rush Bowls franchisees, but reserves the right to do so in the future.

Neither of our affiliates has ever offered franchises for Rush Bowls Restaurants or for franchises in any other line of business.

Our agent for service of process in Colorado is Andrew Pudalov at 11031 Sheridan Boulevard, Suite One, Westminster, Colorado 80020. Our agents for service of process for other states are identified by state in Exhibit A. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

The Franchise

Rush Bowls franchisees operate restaurants that offer wholesome, all-natural high-quality bowls and smoothies made from acai, fruit, organic granola, and other ingredients. Rush Bowls Restaurants operate under our system (the "System") using our trademarks, service marks, trade names, and logos (the "Marks") from an approved retail location ("Restaurant").

You must sign our standard franchise agreement attached to this Franchise Disclosure Document as Exhibit C (the "Franchise Agreement"). You may operate one Rush Bowls Restaurant for each Franchise Agreement you sign.

We also offer to select qualified persons ("Area Developers") the opportunity to sign our area development agreement (the "Area Development Agreement") and acquire the right to develop multiple Rush Bowls Restaurants in a designated development area (the "Development Territory") in accordance with a specified development schedule (the "Development Schedule") (an "Area Development Franchise"). The Development Territory will be established based on the consumer demographics of the Development Territory, geographical area, city, county, and other boundaries. If you enter into an Area Development Agreement, you must sign a Franchise Agreement for your first Rush Bowls Restaurant (the "Initial Franchise Agreement") when you sign the Area Development Agreement. You will be required to sign our then-current form of standard Franchise Agreement for each Rush Bowls Restaurant that you develop under the Area Development Agreement which may have different terms than the Franchise Agreement included within this Franchise Disclosure Document except that any additional franchise agreements signed pursuant to the Development Schedule will have the same royalty rate as the Initial Franchise Agreement. Unless otherwise stated, any reference in this Franchise Disclosure Document to "you" or "Franchisee" includes you both as an Area Developer under an Area Development Agreement and as a franchisee under a Franchise Agreement.

Market and Competition

The primary market for the goods and services offered by Rush Bowls Restaurants is the general public. Due to the nature of frozen and cold ingredients, smoothies, and other cold products, sales may be seasonal with more business activity in the warmer months and less sales in colder months. In addition, some Rush Bowls Restaurants located in towns with colleges typically experience higher sales when the college is in session. The restaurant market as a whole is well-developed, highly competitive, and includes retail units, mobile food trucks, and kiosks selling various types of food. You may have to compete with numerous other independent and chain-affiliated restaurants, some of which may be franchised. Many restaurant franchise systems have already established national and international brand recognition.

Industry-Specific Laws

Many states and local jurisdictions have enacted laws, rules, regulations, and ordinances which may apply to the operation of your Rush Bowls Restaurant including those which: (i) establish general standards, specifications, and requirements for the construction, design, and maintenance of your Restaurant, (ii) regulate matters affecting the health, safety, and welfare of your customers such as general health and sanitation requirements, employee practices concerning the storage, handling, and preparation of food, restrictions on smoking and exposure to tobacco smoke or other carcinogens or reproductive toxicants and saccharin, and the availability of and requirements for public accommodations including restrooms, (iii) set standards pertaining to employee health and safety, (iv) set standards and requirements for fire safety and general emergency preparedness, (v) govern the use of vending machines, (vi) regulate the proper use, storage, and disposal of waste, insecticides, and other hazardous materials, (vii) establish general requirements or restrictions on advertising containing false or misleading claims, or health and nutrient claims on menus or otherwise, such as "low calorie" or "fat free," and (viii) establish requirements concerning withholdings and employee reporting of taxes on tips. You must also obtain all necessary permits, licenses, and approvals to operate your Rush Bowls Restaurant. You do not need to obtain a liquor license for the operation of your Rush Bowls Restaurant, but we reserve the right to require one in the future. Many local or state jurisdictions require food service permits for those preparing, handling, and serving food to the public. You and your employees may be required to pass a test or other certification process to obtain these permits. There may also be local ordinances and regulations governing food storage, preparation, and serving.

You alone are responsible for investigating, understanding, and complying with all applicable laws, regulations, and requirements applicable to you and your Rush Bowls franchise despite any advice or information that we may give you. You should consult with a legal advisor about whether these and/or other requirements apply to your Rush Bowls franchise or Rush Bowls Restaurant. Failure to comply with laws and regulations is a material breach of the Franchise Agreement.

## ITEM 2
## BUSINESS EXPERIENCE

Founder and Chief Executive Officer: Andrew Pudalov

Andrew Pudalov has been our Founder and Chief Executive Officer in Westminster, Colorado since our founding in March 2015. He has also been the President of LR in Boulder, Colorado since October 2004 and the President of WLR in Boulder, Colorado since October 2010.

Executive Vice President: Nicole McCray

Nicole McCray has been our Executive Vice President in Westminster, Colorado since March 2021. She was our Senior Vice President from March 2020 to March 2021. She was the Founder and Chief Executive Officer of Ever Clever in Denver, Colorado from March 2016 to March 2020 where she still holds a majority ownership. She was the Co-Founder and Chief Executive Officer of Stokes Poké in Denver, Colorado from March 2017 until September 2019 when the company was purchased.

Vice President of Finance and Operations: Eric Gilson

Eric Gilson has been our Vice President of Finance and Operations in Westminster, Colorado since November 2020. He was our Accountant and Operations Manager from November 2019 to November 2020, a General Manager at the Rush Bowls Restaurant in Boulder, Colorado from July 2018 to November 2019, Assistant Manager at The Corner in Boulder, Colorado from May 2017 to July 2018, and a construction supervisor in Breckenridge, Colorado from January 2014 to April 2017.

Manager of Account and Technology: JD Tulloch

JD Tulloch has been our Manager of Account and Technology in Westminster, Colorado since November 2020. He was Assistant Manager at Bear Orange in Denver, Colorado from July 2020 to November 2020, Assistant Talent Buyer at Z2 Entertainment in Boulder, Colorado from August 2019 to July 2020, and our Operations Coordinator in Boulder, Colorado from August 2018 to August 2019. He was an Assistant Manager at Bear Orange from November 2017 to August 2018, a Store Manager at the Rush Bowls Restaurant in Boulder, Colorado from July 2016 to November 2017, and an Operations Manager at SCI Fidelity Records in Boulder, Colorado from January 2016 to November 2017.

## ITEM 3
## LITIGATION

No litigation is required to be disclosed in this Item.

## ITEM 4
## BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

## ITEM 5
## INITIAL FEES

Franchise Agreement

*Initial Franchise Fee*

The "Initial Franchise Fee" for a single Rush Bowls Restaurant is $39,000. We offer a discount on the Initial Franchise Fee (and the Development Fee, as discussed below) for honorably discharged veterans of the United States armed forces ("Veteran Discount"). Veterans are required to provide us with a copy of their DD214 to receive the Veteran Discount. The Veteran Discount for a single Rush Bowls Restaurant is 10% off of the Initial Franchise Fee for a single Rush Bowls Restaurant with the reduced Initial Franchise Fee of $35,100.

The Initial Franchise Fee is uniform, payable when you sign your Franchise Agreement, and non-refundable. The Initial Franchise Fee is payment for the pre-opening assistance that we provide to you to allow you to open your Rush Bowls Restaurant and also offsets some of our franchisee recruitment expenses.

*Grand Opening Assistance*

You will pay us a "Grand Opening Assistance Fee" of $5,000 within the seven-day period prior to opening your Rush Bowls Restaurant for our travel and training expenses. Any additional costs for travel and training expenses above $5,000 will be billed to you within 30 days. We will arrange for at least one representative to provide on-site assistance for the opening of your Rush Bowls Restaurant. The Grand Opening Assistance Fee will pay for up to five days of on-site assistance before and during your Rush Bowls Restaurant's opening, during which time we will assist you with implementing the System at your Rush Bowls Restaurant. If we decide at our discretion or you request that we provide you with additional assistance, you agree to also pay us an additional fee of $1,000 to $2,000 per representative for each additional trip our representatives make. We will invoice you for these additional costs and you will pay the invoice within ten days after receipt. The Grand Opening Assistance Fee and all additional costs and fees you pay to us are non-refundable. Grand opening assistance is required for your first and second Rush Bowls Restaurants and we reserve the right to require it for any subsequent Rush Bowls Restaurants that you open.

Area Development Agreement

Area Developers may also purchase the rights to open multiple Rush Bowls Restaurants by signing our Area Development Agreement and paying a development fee (the "Development Fee"). The Development Fee to open up to three Rush Bowls Restaurants (the "Multi-3") is $79,000 and the Development Fee to open up to five Rush Bowls Restaurants (the "Multi-5") is $99,000. To open additional Rush Bowls Restaurant under a Multi-3 or Multi-5, you will sign our then-current standard Franchise Agreement, but you will not be required to pay an Initial Franchise Fee; all other fees will apply. The Veteran Discount for either a Multi-3 or the Multi-5 is 10% off of the Development Fee with the reduced Development Fee for a Multi-3 being $71,100 and for a Multi-5 being $89,100.

The Development Fee is uniform, payable when you sign your Area Development Agreement, and non-refundable under any circumstances (even if you fail to open any Rush Bowls Restaurants).

If you form an entity to open any of the Rush Bowls Restaurants within the Development Territory, you must own at least 51% of the issued equity securities in each entity. You must provide us with appropriate documentation to show your ownership interest.

Financial Assurances

Some states have required the posting of a surety bond, fee deferral, or other form of financial assurance because of our financial condition. Please refer to the State Addenda and Agreement Riders in Exhibit F to the Franchise Disclosure Document.

## ITEM 6
## OTHER FEES

| Type of Fee[1] | Amount | Due Date | Remarks |
|---|---|---|---|
| Royalty[2] | 6% of Gross Sales; may vary for non-traditional locations | Due on Thursday of each week | The "Royalty" is based on "Gross Sales" during the previous week. Your Royalty is an ongoing payment that allows you to use the Marks and the intellectual property of the System and pays for our ongoing support. |
| Brand Fund Contribution | 2% of your weekly Gross Sales | Same as Royalty | This contribution is used for our system-wide advertising fund (the "Brand Fund") for our use in promoting and building the Rush Bowls brand. This fee can be changed to a maximum of 3% of Gross Sales upon 90 days written notice. |
| Local Advertising Payment | Difference between the amount you spent on local advertising each month and your required local advertising expenditure which is currently 2% of your Gross Sales | Payable after receipt of invoice | If you fail to meet your required local advertising requirement on local advertising, you must pay us the difference between the amount you spent and the required advertising expenditure, which will be contributed to the Brand Fund. |
| Local and Regional Advertising Cooperatives[3] | Determined by cooperative members; up to 4% of Gross Sales | Determined by cooperative members | We currently do not have a cooperative but reserve the right to establish one in the future. If a local or regional advertising cooperative is established, contribution amounts will be determined by the cooperative members. We anticipate that each franchisee and each franchisor-owned outlet will have one vote for each Rush Bowls Restaurant operating in the designated market. Each Rush Bowls Restaurant we own that exists within the cooperative's area will contribute to the cooperative on the same basis as franchisees and we will not have controlling voting power. Item 11 contains more information about advertising cooperatives. |

| Type of Fee[1] | Amount | Due Date | Remarks |
|---|---|---|---|
| Unauthorized Advertising Fee | $500 per occurrence | On demand | This fee is payable to the Brand Fund if you use unauthorized advertising in violation of the terms of the Franchise Agreement. |
| Technology Fee | Up to $200 per month per location | Same as Royalty | We do not currently charge this fee, but we reserve the right to charge up to $200 per month per Rush Bowls Restaurant you own upon 30 days written notice. This fee may be assessed for website hosting, central telephone services, future web-based system integration, and for other technology-related services. We reserve the right to upgrade, modify, and add new software. The technology fee may be increased by up to 10% each year. You will also be responsible for any increase in fees that result from any upgrades, modifications, or additional software. |
| Non-compliance Fee | $500 per day per incident | On demand | This fee is assessed if you receive notice that you are failing to follow our system standards, comply with the provisions of the Franchise Agreement, or follow the provisions of our Franchise Operations Manual. This fee is in addition to any other rights we have under the Franchise Agreement (including termination) and is intended to offset damages we incur from your default. This fee is not intended as a penalty. |
| Insurance | Reimbursement of our costs plus a 20% administration charge | On demand | If you fail to obtain insurance, we may obtain insurance for you, and you must reimburse us for the cost of insurance obtained plus 20% of the premium for an administrative cost of obtaining the insurance. |
| Additional Training or Assistance Fees | Then-current fee; we estimate this cost to currently be up to $500 per additional person for initial training and up to $500 per attendee per day for additional training | As incurred | We provide initial training at no charge for one to two people provided they attend at the same time. We may charge you for training additional persons, newly-hired personnel, refresher training courses, advanced training courses, and additional or special assistance or training you need or request. |
| Convention Fee | Then-current fee, we estimate this cost to currently be $500 to $1,000 per person | On demand | Payable to us to help defray the cost of your attendance at any annual convention that we hold. This fee is due regardless of whether or not you attend our annual convention in any given year. |
| Supplier and Product Evaluation Fee | Costs of inspection; we estimate this cost to be approximately $1,500 to $2,500 | As incurred | Payable if we inspect a new product, service, or supplier you propose. |

| Type of Fee[1] | Amount | Due Date | Remarks |
|---|---|---|---|
| Replacement of Franchise Operations Manual | $500 | On demand | Payable if your copy of the Franchise Operations Manual is lost, destroyed, or significantly damaged. |
| Customer Issue Resolution | Reasonable costs we incur to respond to a customer complaint, which will typically be between $20 and $100 | On demand | Payable if a customer of your Rush Bowls Restaurant contacts us with a complaint and we provide a gift card, refund, or other value to the customer as part of resolution. |
| Payment Service Fee | Up to 4% of total charge | As incurred | If payment is made to us or our affiliate by credit card for any fee required, we may charge a service charge of up to 4% of the total charge. |
| Late Payment Fee | $100 per occurrence plus lesser of the daily equivalent of 12% per year simple interest or the highest rate allowed by law | As incurred | Payable if any payment due to us or our affiliates is not made by the due date. Interest accrues from the original due date until payment is received in full. |
| Non-Sufficient Funds Fee | $100 per occurrence | As incurred | Payable if any check or electronic payment is not successful due to insufficient funds, stop payment, or any similar event. |
| Failure to Submit Required Report Fee | $100 per occurrence and $100 per week | Your bank account will be debited for failure to submit any requested report within five days of request | Payable if you fail to submit any required report or financial statement when due. Fines collected are paid to the Brand Fund. You will continue to incur this fee until you submit the required report. |
| Audit Expenses | Cost of audit and inspection, any understated amounts, and any related accounting and legal expenses; we estimate this cost to be between $2,000 and $12,000 | On demand | You will be required to pay this if an audit reveals that you understated weekly Gross Sales by more than 2% or you fail to submit required reports. |
| Indemnification | Will vary under circumstances | As incurred | You must indemnify and reimburse us for any expenses or losses that we or our representatives incur related in any way to your Rush Bowls Restaurant or Rush Bowls franchise. |
| Management Fee | $500 per day plus costs and expenses | As incurred | Payable if we manage the Rush Bowls Restaurant because you are in breach of your Franchise Agreement. |
| Professional Fees and Expenses | Will vary under circumstances | As incurred | You must reimburse us for any legal or accounting fees that we incur from any breach or termination of your Franchise Agreement. You must reimburse us if we are required to incur any expenses in enforcing our rights against you under your Franchise Agreement. |

| Type of Fee[1] | Amount | Due Date | Remarks |
|---|---|---|---|
| Renewal Fee | $4,500 | At the time you sign a successor franchise agreement | Payable if you qualify to renew your Franchise Agreement and choose to enter into a successor Franchise Agreement. |
| Territory Revision Fee | Up to $1,000 per change | As incurred | We may, subject to availability and our approval, allow you to adjust your Protected Area within 90 days of signing the Franchise Agreement. You will be required to pay a "Territory Revision Fee." This fee is payable to us if we allow you to revise your Protected Area. |
| Relocation Fee | $5,000 | $1,000 non-refundable deposit due at time of relocation application submittal and the remaining balance at time of our approval of your request for relocation | Payable in connection with the relocation of your Rush Bowls Restaurant. |
| Transfer Fee | 30% of the then-current Initial Franchise Fee if you transfer your Rush Bowls Restaurant to a third party | $1,000 non-refundable deposit at time of transfer application submittal and the remaining balance of fee at time of the approved transfer | Payable in connection with the transfer of your Rush Bowls Restaurant, a transfer of ownership of your legal entity that you do not control, or the Franchise Agreement. |
| Transfer to Entity | $500 | As incurred | If you are transfer your Franchise Agreement to an entity that you control, you will not be required to pay the transfer fee, but you must pay us $500. |
| Broker Fee | Our actual cost of brokerage commissions, finder's fees, or similar charges | As incurred | If you transfer your Rush Bowls Restaurant to a third party or purchaser, you must reimburse our actual costs for brokerage commissions, finder's fees, and similar charges. |

| Type of Fee[1] | Amount | Due Date | Remarks |
|---|---|---|---|
| Liquidated Damages | Will vary under the circumstances. Liquidated damages are determined by multiplying the combined monthly average of Royalties and National Brand Fund contributions that are due from you to us, beginning with the date you open your Rush Bowls Restaurant through the date of early termination, multiplied by the lesser of: (i) 36, or (ii) the number of full months remaining in the term of the Franchise Agreement | Within 15 days after termination of the Franchise Agreement | Due only if we terminate your Franchise Agreement before the end of the term because of your material breach or you terminate your Franchise Agreement without legal cause. This fee is not intended as a penalty. |

Notes:

1. All fees paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. We currently require you to pay fees and other amounts due to us or our affiliates via electronic funds transfer ("EFT") or similar means. You are required to complete the EFT authorization in the form attached to this Franchise Disclosure Document in Exhibit H. We can require an alternative payment method or payment frequency for any fees or amounts owed to us or our affiliates under the Franchise Agreement. If you enter into an Area Development Agreement to operate multiple Rush Bowls Restaurants, the fees indicated in the chart above are the fees charged and/or incurred for each Rush Bowls Restaurant. All fees are current as of the Issuance Date of this Franchise Disclosure Document. Certain fees that we have indicated may increase over the term of the Franchise Agreement.

2. "Gross Sales" means the total of all revenues and income from the sale of all food products, beverages, and other related merchandise, products, and services to your customers whether or not sold or performed at or from your Rush Bowls Restaurant, and whether received in cash, coupon, services in kind, from barter or exchange, on credit (whether or not payment is received), or otherwise. If you offer any services including, without limitation, catering or special events, all receipts from these services (including additional delivery charges) are included in Gross Sales. You may deduct from Gross Sales for purposes of this computation (but only to the extent they have been included) the amount of all sales tax receipts or similar tax receipts which are chargeable to customers by law if the taxes are separately stated when the customer is charged and paid to the appropriate taxing authority. You may also deduct from Gross Sales the amount of any documented refunds, chargebacks, credits, charged tips, and allowances you give in good faith to your customers. All barter and/or exchange transactions in which you furnish services or products in exchange for goods or services provided to you by a vendor, supplier, or customer will be valued at the full retail value of the goods or services so provided to you for the purpose of determining Gross Sales.

3. Local and Regional Advertising Cooperatives. If a local or regional advertising cooperative is established, contribution amounts will be established by the cooperative members subject to our approval. We anticipate that each franchisee and each Rush Bowls Restaurant that we own will have one vote for each Rush Bowls Restaurant operated in the designated market. Each Rush Bowls Restaurant we own that exists within the cooperative's area will contribute to the cooperative on the same basis as our franchisees. Members of the cooperative will be responsible for administering the cooperative including determining the amount of contributions due from each member. No local or regional advertising cooperatives have been established as of the Issuance Date of this Franchise Disclosure Document.

## ITEM 7
## ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

| Type of Expenditure | Amount | | Method of Payment | When Due | To Whom Payment is to be Paid |
|---|---|---|---|---|---|
| | Low | High | | | |
| Initial Franchise Fee[(1)] | $39,000 | $39,000 | Lump sum | When you sign your Franchise Agreement | Us |
| Leasehold Improvements and Rent (Three Months)[(2)] | $70,000 | $325,000 | As incurred | As incurred | Suppliers or vendors |
| Wages, Travel Expenses, and Living Expenses During Training[(3)] | $0 | $10,000 | As incurred | As incurred | Employees, airlines, hotels, and similar businesses |
| Furniture, Fixtures, Supplies, Décor, Inventory, and Equipment[(4)] | $48,000 | $90,000 | As incurred | As incurred | Suppliers or leasing companies |
| Architectural, Engineering Fees | $7,500 | $16,000 | As incurred | Before opening | Suppliers |
| Signage[(5)] | $4,000 | $12,000 | As incurred | As incurred | Suppliers |
| Point-of-Sale and Computer System[(6)] | $2,000 | $3,000 | As incurred | As incurred | Suppliers |
| Licenses and Permits[(7)] | $1,000 | $5,000 | Lump sum | Before opening | Governmental agencies |
| Miscellaneous Site Development Fees[(8)] | $2,500 | $5,000 | As incurred | Before opening or as otherwise arranged | Landlords, utilities, government agencies, attorneys, accountants, and other professionals |

| Type of Expenditure | Amount | | Method of Payment | When Due | To Whom Payment is to be Paid |
|---|---|---|---|---|---|
| | Low | High | | | |
| Grand Opening[9] | $3,000 | $6,500 | As incurred | Before opening | Suppliers |
| Grand Opening Training Fee[10] | $5,000 | $5,000 | As incurred | Upon invoice | Us |
| Additional Funds – Three Months[11] | $15,000 | $25,000 | As incurred | As incurred | Landlords, suppliers, and utilities |
| TOTAL ESTIMATED INITIAL INVESTMENT[12] | $197,000 | $541,500 | | | |

Notes:

These estimated initial expenses are our best estimates of the costs you may incur in establishing and operating your Rush Bowls franchise. We do not offer direct or indirect financing for these items. All expenditures paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable except as you may arrange for utility deposits and other payments.

1. Initial Franchise Fee. If you purchase the rights to operate multiple Rush Bowls Restaurants under an Area Development Agreement, the only additional initial cost that you will incur over the purchase of a single Franchise will be the Development Fee until you open the additional Rush Bowls Restaurants. Once you open additional Rush Bowls Restaurants, you will incur the costs listed in this Item 7 (except for the Initial Franchise Fee) at the time you open the additional Rush Bowls Restaurants. These costs may increase in the future depending on when you open the additional Rush Bowls Restaurants. The estimate does not include the build-out of any Rush Bowls Restaurant other than the first one.

2. Leasehold Improvements and Rent (Three Months). This estimate does not include any construction allowances that may be offered by your landlord. This estimate includes expenses you will incur to build out your location including all costs required to set up the equipment. Actual building and construction costs will vary depending upon the condition and size of the premises for your Rush Bowls Restaurant and local construction costs. This estimate includes three months of lease payments and is based on a premises of approximately 500 to 1,500 square feet. Your actual rent payments may vary depending upon your location and your market's retail lease rates. See Note 8 below for utility, security, and lease deposit estimates. If you choose to purchase the premises for your Rush Bowls Restaurant, then the purchase price, down payment, interest rates, and other financing terms will determine your monthly mortgage payments.

3. Wages, Travel Expenses, and Living Expenses During Training. We provide an initial training program at a location designated by us (generally at your Rush Bowls Restaurant). If training is provided at a location other than your Rush Bowls Restaurant, you must pay for airfare, meals, transportation costs, lodging, and incidental expenses for all initial training program attendees, as well as those of the representative of ours who conducts your on-site training. Provided they attend at the same time, initial training is provided to you at no charge for one to two people including you (or your Operating Principal (defined below) if you are an entity) and your Designated Manager (defined below) if you have one. If additional initial training is required or more people must be

trained, an additional fee will be assessed. This estimate includes costs and expenses you may incur for the initial training program. The low end assumes that initial training is provided at your location.

4. Furniture, Fixtures, Supplies, Décor, Inventory, and Equipment. This includes the cost of equipment, registers, small wares, office equipment and supplies, interior signage, and opening food and paper product inventory. Your furniture, fixtures, décor, and equipment may be financed through a bank or other financial institution, leased, or purchased outright.

5. Signage. This includes the cost of exterior signage only.

6. Point-of-Sale and Computer System. This includes the cost of the computer hardware, peripherals, and software that will serve as your point-of-sale computer system and the maintenance agreement for that system.

7. Licenses and Permits. You should check with the local licensing regulatory agency to determine the cost of your licenses. This estimate does not include the cost of procuring a liquor license as none is currently required.

8. Miscellaneous Site Development Fees. Miscellaneous site development fees are costs associated with developing the site for your Rush Bowls Restaurant including, without limitation, security and lease deposits, utility and license deposits, impact fees, commissions, permits, miscellaneous professional fees to acquire or lease the premises of your Rush Bowls Restaurant, and other associated site development accounting and legal fees. You should check with your local regulatory agency that issues building permits to determine what impact, connection, or other site development fees may be required for the specific site for your Rush Bowls Restaurant.

9. Grand Opening. You must spend between $3,000 and $6,500 on the grand opening of your Rush Bowls Restaurant.

10. Grand Opening Training Fee. You must pay us $5,000 seven days prior to opening to cover our travel and training expenses. Any additional costs for travel and training expenses above $5,000 will be billed to you within 30 days. Grand opening assistance is required for the first two Rush Bowls Restaurants you open. If you are opening your third or subsequent Rush Bowls Restaurant, we reserve the right to require grand opening assistance at our sole discretion, in which case this fee will be paid by you. Our estimates are based on the actual expenses our training team has incurred. We retain the right to change the amounts charged.

11. Additional Funds. These amounts represent our estimate of the amount needed to cover your expenses for the initial three-month start-up phase of your Restaurant. They include payroll, uniforms, administrative, janitorial, maintenance, utilities, and other items. These estimates do not include standard pre-opening expenses, Royalties, or advertising fees payable under the Franchise Agreement or debt service. These estimates assume that none of your expenses are offset by any sales generated during your start-up phase. We have elected to include certain fees as line items above including rent payments. These fees could also be included in our Additional Funds amounts. For purposes of this disclosure, we estimated the start-up phase to be three months from the date your Rush Bowls Restaurant opens for business. These figures are estimates and we cannot guarantee that you will not have additional expenses starting your Rush Bowls Restaurant. We relied on our franchising experience since 2015 and LR's experience operating our company-owned Rush Bowls Restaurants to formulate these amounts. You must bear any deviation or

escalation in costs from the estimates that we have given. Your costs will depend on factors such as how well you follow our methods and procedures, your management skills, experience, and business acumen, local economic conditions, the local market for your products and services, the prevailing wage rate, competition, the sales level reached during the start-up period, and the size of your Rush Bowls Restaurant. Additional funds for the operation of your Rush Bowls franchise will be required after the first three months of operation if sales produced by the Rush Bowls franchise are not sufficient to produce positive cash flow.

12. Figures May Vary. This is an estimate of your initial start-up expenses for one Rush Bowls Restaurant. You should review these figures carefully with a business advisor before making any decision to purchase a Rush Bowls franchise.

Area Developer

| Type of Expenditure | Amount | | Method of Payment | When Due | To Whom Payment is to be Made |
|---|---|---|---|---|---|
| | Low | High | | | |
| Development Fee[1] | Multi-3 $79,000<br>Multi-5 $99,000 | Multi-3 $79,000<br>Multi-5 $99,000 | Lump sum | At the time you sign your Area Development Agreement | Us |
| Initial Investment for Your First Rush Bowls Restaurant[2] | $158,000 | $502,500 | Per table above | Per table above | Per table above |
| TOTAL ESTIMATED INITIAL INVESTMENT[3] | Multi-3 $237,000<br>Multi-5 $257,000 | Multi-3 $581,500<br>Multi-5 $601,500 | | | |

Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your Rush Bowls Restaurants under an Area Development Agreement. We do not offer direct or indirect financing for these items. All expenses payable to the parties are non-refundable except as you may otherwise arrange we us.

1. Development Fee. If you sign an Area Development Agreement to develop a mutually agreed number of Rush Bowls Restaurants, you will pay a Development Fee. The Development Fee for the Multi-3 is $79,000 and the Development Fee for the Multi-5 is $99,000. The Development Fee is payable when you sign your Area Development Agreement, fully earned immediately upon receipt and non-refundable regardless of whether you open any Rush Bowls Restaurants.

2. Initial Investment for Your First Rush Bowls Restaurant. These are the estimates to start your Rush Bowls Restaurant as described in the single franchise Rush Bowls Restaurant chart above (except for the Initial Franchise Fee which is replaced by the Development Fee). The Grand Opening Training Fee is required for your first and second Rush Bowls Restaurants and may be required for subsequent Rush Bowls Restaurants, so the initial investment for a Rush Bowls Restaurant will vary depending on the number of Rush Bowls Restaurants you purchase and whether we require the Grand Opening Training Fee for additional Rush Bowls Restaurants. Costs associated with starting additional Rush Bowls Restaurants are subject to factors that we cannot estimate or control such as inflation, increased labor costs, or increased materials costs and will depend on when the additional Rush Bowls Restaurants are opened.

3. Figures May Vary. If you purchase a Multi-3 or Multi-5 under the Area Development Agreement, you will incur all of the costs listed above for each Rush Bowls Restaurant you open except that you will pay a Development Fee instead of Initial Franchise Fees. This is only an estimate of your initial investment and is based on our estimate of domestic costs and market conditions prevailing as of the Issuance Date of this Franchise Disclosure Document. The factors underlying our estimates may vary depending on several variables and the actual investment you make in developing and opening your Area Development Franchise may be greater or less than the estimates given depending upon the locations of your Rush Bowls Restaurants and then-current relevant market conditions. You must bear any deviation or escalation in costs from the estimates that we have given. Review these figures carefully with a business advisor and legal counsel before deciding to enter an Area Development Agreement. Many factors that are unique to your location can make a dramatic difference in the estimates provided. The availability and terms of financing depend on several factors including the availability of financing, your creditworthiness, collateral you may have, and lending policies of financial institutions. You should review these figures with a business advisor, financial consultant, or other professional before deciding to enter an Area Development Agreement.

## ITEM 8
## RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate your Rush Bowls Restaurant according to our System and specifications. This includes purchasing or leasing all goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, and real estate related to establishing and operating your Rush Bowls Restaurant under our specifications which may include purchasing these items from: (i) our designees, (ii) approved suppliers, or (iii) us or our affiliates. You must not deviate from these methods, standards, and specifications without our prior written consent or otherwise operate in any manner which reflects adversely on our Marks or the System.

Our confidential operations manual (the "Franchise Operations Manual") states our standards, specifications, and guidelines for all products and services we require you to obtain to establish and operate your Rush Bowls franchise and the approved vendors for these products and services. We will notify you of new or modified standards, specifications, and guidelines through periodic amendments or supplements to the Franchise Operations Manual or through other written communication including, without limitation, electronic communication like email or a system-wide intranet.

You must purchase, install, maintain in sufficient supply, and use only fixtures, furnishings, equipment, signs, and supplies that conform to the standards and specifications described in the Franchise Operations Manual or otherwise in writing. You must use our approved vendor for all interior signage for use in your Rush Bowls Restaurant.

We utilize proprietary food products and recipes and may continue to develop and own proprietary recipes. In order to protect their trade secrets and to monitor the manufacture, packaging, processing, and sale of proprietary food products we or our affiliates may in the future: (i) manufacture, supply, and sell proprietary food products to franchisees, or (ii) disclose the formula for methods and preparation of the proprietary food products to a limited number of suppliers including one or more of our affiliates who we authorize to manufacture these proprietary food products to our precise specifications and sell these products to franchisees. You must purchase the proprietary products we or our affiliates develop from time to time for proprietary recipes or formulas and purchase them only from us or a third party who we have licensed to prepare and sell the products. All non-proprietary ingredients, beverage products, cooking materials, containers, cartons, bags, menus, napkins, other paper and plastic products, utensils, uniforms, and other supplies and materials used in your Rush Bowls Restaurant must strictly conform to our

reasonable specifications and quality standards. Certain products such as plates, cups, boxes, and containers bearing the Marks must be purchased by you from certain suppliers approved by us who are authorized to manufacture these products.

You must at all times maintain an inventory of approved food products, beverages, ingredients, and other products in sufficient quantities and variety to realize the full potential of your Rush Bowls Restaurant. You must use the menus and menu boards that we designate and serve meals and products in the manner we designate.

You must purchase and use sales and marketing materials including, without limitation, banners, menus, decals, and other items from our approved suppliers disclosed and updated in the Franchise Operations Manual or through other written communication. We and our affiliates reserve the right to become approved suppliers of any proprietary food products and non-proprietary products.

You must use the computer hardware and software including, without limitation, the point-of-sale system that we periodically designate to operate your Rush Bowls Restaurant. You must obtain the computer hardware, software licenses, maintenance and support services, and other related services that meet our specifications from the suppliers we specify.

You must obtain and maintain the insurance coverage required under the Franchise Agreement or in the Franchise Operations Manual. The required insurance includes: (i) general liability insurance of at least $2,000,000 per occurrence, (ii) all risks property insurance coverage which includes fire coverage limits equal to at least actual replacement cost of the FF&E and your other property used in you Rush Bowl Restaurant's operations, (iii) actual loss sustained business interruption insurance with a minimum of coverage limits equal to at least actual replacement cost of the FF&E and your other property used in your Rush Bowls Restaurant's operations, (iv) building insurance coverage for the building or the business premises for and against all risk, loss, and damages in an amount equal to at least actual replacement cost, (v) employment practices liability insurance coverage of at least $1,000,000 per occurrence insuring you and your employees for employment-related claims and damages, (vi) automobile liability insurance with coverage of at least $2,000,000 per occurrence insuring against all claims and damages resulting from the use, operation, or maintenance of all automobiles or vehicles owned by you or used by you or your employees (including automobiles owned or leased by any of your employees) in connection with your Rush Bowls Restaurant including, without limitation, catering and delivery services, (vii) umbrella liability insurance for general liability insurance of at least $2,000,000 for liability insurance coverage for any claims or damages you incur in excess of the primary general liability, automobile liability, employment practices liability, and other liability insurance coverage you carry, and (viii) all insurance required by state or federal law. Your suppliers and independent contractors must obtain and maintain general liability insurance with coverage of at least $1,000,000 per occurrence and automobile insurance with coverage of at least $1,000,000 per occurrence.

Your insurance company must be authorized to do business in the state where your Rush Bowls Restaurant is located and must be approved by us. It must be rated "A" or better by A.M. Best & Company, Inc. We may periodically modify or increase the amounts of coverage required under these insurance policies or require different or additional insurance coverage at any time. All insurance policies must name us and any affiliates we designate as additional named insured parties.

We will provide you with a list of our designated and approved suppliers in our Franchise Operations Manual. If you want to use or sell a product or service that we have not yet evaluated or if you want to purchase or lease a product or service from a supplier or provider that we have not yet approved including, without limitation, local vendors for services and products that require supplier approval, you

must notify us and submit to us the information, specifications, and samples we request. We will use commercially reasonable efforts to notify you within 30 days after receiving all requested information and materials whether you are authorized to purchase or lease the product or service from that supplier or provider. Our failure to notify you in the specified time frame will be deemed a disapproval of your request. We reserve the right to charge a fee to evaluate the proposed product, service, or supplier. We evaluate the following general criteria during our review of a proposed supplier: (i) ability to purchase the product in bulk, (ii) quality of services, (iii) production and delivery capability, (iv) proximity to Rush Bowls Restaurants to ensure timely deliveries of the product or services, (v) dependability, and (vi) other factors. The proposed supplier may be required to sign a supplier agreement with us. We may periodically re-inspect approved suppliers' facilities and products and reserve the right to revoke our approval of any supplier, product, or service that does not continue to meet our specifications. We will send you written notice of any revocation of an approved supplier, product, or service. We do not provide material benefits to you based solely on your use of designated or approved sources.

We estimate that approximately 80% of purchases required to open your Rush Bowls Restaurant and 75% of purchases required to operate your Rush Bowls Restaurant will be from us, our affiliates, or from other approved suppliers or under our specifications. We and our affiliates may receive rebates from some suppliers based on your purchase of services and products and we have no obligation to pass them on to our franchisees or use them in any particular manner. We are the only supplier of grand opening assistance. None of our affiliates are currently suppliers of any goods or services sold to franchisees. Andrew Pudalov owns an interest in WLR which may be, but currently is not, a supplier of goods to you. During our last fiscal year ended December 31, 2021, neither we nor our affiliates derived revenue or other material consideration as a result of franchisees' required purchases or leases.

We may negotiate purchase arrangements with suppliers and distributors for the benefit of our franchisees and we may receive rebates or volume discounts from our purchase of equipment and supplies that we resell to you. Currently, we negotiate national rates with manufacturers and distributors for food, equipment, paper and plastic products, and technology. We do not currently have any other purchasing or distribution cooperatives.

## ITEM 9
## FRANCHISEE'S OBLIGATIONS

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

| Obligation | | Section in Franchise Agreement/Area Development Agreement | Disclosure Document Item |
|---|---|---|---|
| a. | Site selection and acquisition/lease | Sections 1.1 and 12 | Items 7 and 11 |
| b. | Pre-opening purchases/leases | Sections 10 and 13 | Items 7, 8, and 11 |
| c. | Site development and other pre-opening requirements | Sections 10, 12, and 14 | Items 7 and 11 |
| d. | Initial and ongoing training | Section 14 | Items 5, 6, 7, and 11 |
| e. | Opening | Sections 5.4 and 9.19 | Items 6, 7, 9, and 11 |
| f. | Fees | Sections 1, 2, 3, 4, 5, 6, 7, 9, 10, and 14 and Section 3 and Attachment A of the Area Development Agreement | Items 5, 6, and 7 |
| g. | Compliance with standards and policies/Franchise Operations Manual | Sections 9, 10, 12.5, and 14 | Items 8, 11, 12, 14 |

| Obligation | | Section in Franchise Agreement/Area Development Agreement | Disclosure Document Item |
|---|---|---|---|
| h. | Trademarks and proprietary information | Sections 11 and 16 | Items 13 and 14 |
| i. | Restrictions on products/services offered | Sections 9, 10, and 14 | Items 8 and 16 |
| j. | Warranty and customer service requirements | Section 9 | Items 1 and 11 |
| k. | Territorial development and sales quotas | Section 1 and Section 4 and Attachments A and B of Area Development Agreement | Items 1, 11, and 12 |
| l. | On-going product/service purchases | Sections 9, 10, and 14 | Items 8 and 16 |
| m. | Maintenance, appearance, and remodeling requirements | Sections 2, 9, and 22 | Items 7, 8, and 11 |
| n. | Insurance | Section 15 | Items 6, 7, and 8 |
| o. | Advertising | Sections 9, 13, and 16 | Items 11, 13, and 14 |
| p. | Indemnification | Section 25 and Section 11.2 of Area Development Agreement | Not applicable |
| q. | Owner's participation/management and staffing | Section 8 and Section 1.3 of Area Development Agreement | Items 11, 15, and 17 |
| r. | Records and reports | Sections 7 and 9 | Items 6 and 11 |
| s. | Inspections and audits | Sections 7, 9, and 12 | Items 6 and 11 |
| t. | Transfer | Section 17 and Section 8 of Area Development Agreement | Item 17 |
| u. | Renewal | Section 2 | Item 17 |
| v. | Post-termination obligations | Sections 20 and 22 | Item 17 |
| w. | Non-competition covenants | Section 23 | Item 17 |
| x. | Dispute resolution | Section 27 and Section 15 of the Area Development Agreement | Item 17 |

## 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 SYSTEM AND TRAINING

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

Pre-opening Obligations

Before you open your Rush Bowls Restaurant, we or our designee will provide the following assistance and services to you:

1. Provide an initial training program (Franchise Agreement Section 14.1).

2. Loan you one copy of the Franchise Operations Manual. The Franchise Operations Manual contains approximately 120 pages. The Table of Contents for the Franchise Operations Manual is attached to this Franchise Disclosure Document as Exhibit G (Franchise Agreement Section 11.1).

3. Provide you with advice in identifying a suitable location for your Rush Bowls Restaurant if you request assistance (Franchise Agreement Section 12). We have also partnered with a vendor to assist in the data analysis and site selection process. The service is optional and provided at no cost to you. Although we will consult with you regarding your site and require your site to be subject to our final authorization, you have the ultimate responsibility for choosing, obtaining, and developing the site for your Rush Bowls Restaurant. We must approve the site before you sign any lease for your Rush Bowls Restaurant. We do not guarantee the suitability or success of the accepted site.

4. To evaluate a proposed site, we consider such factors as general location and neighborhood, traffic patterns, parking, size, layout, and other physical characteristics. Before leasing or purchasing the site for your Rush Bowls Restaurant, you must submit to us a description of the site in the form we specify with such other information and materials we may reasonably require (Franchise Agreement Section 12.2). We will have 30 days after we receive the information and materials to evaluate the proposed site. If we disapprove of the proposed site, you must select another site subject to our consent. You must purchase or lease the site for your Rush Bowls Restaurant within 180 days after signing the Franchise Agreement. We may terminate the Franchise Agreement if you do not submit an approved site and then purchase or lease it within 180 days after signing the Franchise Agreement. We generally do not own the premises for any Rush Bowls Restaurant.

5. Once you have an approved site for your Rush Bowls Restaurant, we will designate a Protected Area (defined below). If you sign an Area Development Agreement, we will designate the Development Territory before you sign the Area Development Agreement (Attachment 1-1 of Franchise Agreement and Attachment A of Area Development Agreement).

6. Review your lease agreement for the Rush Bowls Restaurant to ensure that its terms contain our required provisions and otherwise meet our minimum standards (Franchise Agreement Section 12.1).

7. We will provide a copy of our basic specifications for the design and layout of your Rush Bowls Restaurant. You are responsible for the costs of preparing architectural, engineering, and construction drawings and site plans which you must submit to us for our review and approval before you begin construction of your Rush Bowls Restaurant. You are responsible for the costs of construction and remodeling (Franchise Agreement Section 12).

8. We will arrange for at least one representative to provide on-site assistance for the opening of your Rush Bowls Restaurant. For approximately five days before and during your opening, we will assist you with implementing the System at your Rush Bowls Restaurant and training your employees. We will send you an invoice for any additional travel and related expenses of our representatives upon completion of the on-site grand opening assistance. You will pay the invoice within ten days after receipt of the invoice. The grand opening assistance is required for your first and second Rush Bowls Restaurants. We will not be required to provide grand opening assistance for your third or any subsequent Rush Bowls Restaurant opening (Franchise Agreement Section 14.3).

We do not provide the above services to renewing franchisees and may not provide all of the above services to franchisees that purchase existing Rush Bowls Restaurants.

*Schedule for Opening*

The typical length of time between signing the Franchise Agreement or the payment of any fees and the opening of the Rush Bowls Restaurant can vary from six weeks to twelve months. Some factors which may affect this timing are your ability to acquire a location through lease or purchase negotiations,

your ability to secure any necessary financing, your ability to comply with local zoning and other ordinances, your ability to obtain any necessary permits and certifications, the timing of the delivery of equipment, tools, and inventory, and the time to convert, renovate, or build-out your Rush Bowls Restaurant.

If you are an Area Developer, you must sign your first Franchise Agreement at the same time you sign your Area Development Agreement. The typical length of time between the signing of the Franchise Agreement and the opening of your first Rush Bowls Restaurant under an Area Development Agreement is the same as for a single Rush Bowls Restaurant. Each additional Rush Bowls Restaurant you develop must be opened according to the terms of your Development Schedule. The site selection and approval process for each Rush Bowls Restaurant under an Area Development Agreement is the same as that for a single Rush Bowls Restaurant and will be governed by the Franchise Agreement signed for that location.

Continuing Obligations

During the operation of your Rush Bowls Restaurant, we or our designee will provide the following assistance and services to you:

1. Inform you of mandatory specifications, standards, and procedures for the operation of your Rush Bowls franchise (Franchise Agreement Sections 9, 10, and 14).

2. Provide you with advice and guidance regarding advertising and marketing (Franchise Agreement Section 5).

3. Provide additional training to you for newly-hired personnel regarding the Rush Bowls brand and System guidelines, refresher training courses, and such additional training or assistance that you need or request at our discretion. You may be required to pay additional fees for this training or assistance (Franchise Agreement Section 14).

4. Allow you to continue to use confidential materials including the Franchise Operations Manual and the Marks (Franchise Agreement Sections 11 and 16).

Optional Assistance

During the term of the Franchise Agreement, we or our designee may, but are not required to, provide the following assistance and services to you:

1. Modify, update, or change the System including, without limitation, the adoption and use of new or modified trade names, trademarks, service marks, copyrighted materials, new products, new menu items, new equipment, or new techniques.

2. Make periodic visits to your Rush Bowls Restaurant to assist with aspects of the operation and management of your Rush Bowls Restaurant, prepare written reports concerning these visits outlining any suggested changes or improvements in the operation of your Rush Bowls Restaurant, and detail any problems in the operations which become evident during any visit. If provided at your request, you must reimburse our expenses and pay our then-current training charges.

3. Maintain and administer a Brand Fund. We may dissolve the Brand Fund upon written notice (Franchise Agreement Section 4).

4. Hold periodic national or regional conferences to discuss business and operational issues affecting franchisees.

5. Assist you in establishing pricing including prescribing minimum or maximum retail prices for the products or services you must offer and sell at your Rush Bowls Restaurant as allowed by law.

Advertising

*Brand Fund*

We have established the Brand Fund for marketing, developing, and promoting the System, the Marks, and Rush Bowls Restaurants. You must pay 2% of your Gross Sales for the Brand Fund (the "Brand Fund Contribution"), but we reserve the right to increase contributions up to 3% of your Gross Sales upon 90 days written notice to you. Your contribution to the Brand Fund is in addition to all other advertising requirements set out in this Item 11. Each franchisee will contribute to the Brand Fund but certain franchisees may contribute on a different basis depending on when they signed their Franchise Agreement. Rush Bowls Restaurants owned by us and our affiliates and former affiliates are not obligated to contribute to the Brand Fund.

The Brand Fund is administered by us, our affiliates, or our designees at our discretion. We may use a professional advertising agency or media buyer to assist us. The Brand Fund is kept in a dedicated bank account, commercial account, or savings account.

We have complete discretion on how the Brand Fund will be utilized. We may use the Brand Fund for local, regional, or national marketing, advertising, sales promotion and promotional materials, public and consumer relations, website development and search engine optimization, the development or use of various technology for the System including, without limitation, application-related activities, and any other purpose to promote the Rush Bowls brand. We may use any media for disseminating Brand Fund advertisements including, without limitation, photos, videos, audio clips, direct mail, print ads, the Internet, radio, billboards, and television. We may reimburse ourselves, our authorized representatives, or our affiliates from the Brand Fund for administrative costs, independent audits, reasonable accounting, bookkeeping, reporting and legal expenses, taxes, and all other direct or indirect expenses associated with the programs funded by the Brand Fund. We do not guarantee that advertising expenditures from the Brand Fund will benefit you or any other franchisee directly, on a *pro rata* basis, or at all. We are not obligated to spend any amount on advertising in the geographical area where you are or will be located. We will not use the Brand Fund contributions for advertising that is principally a solicitation for the sale of franchises, but we reserve the right to include a notation in any advertisement or website indicating "Franchises Available" or similar language.

We assume no fiduciary duty to you or other direct or indirect liability or obligation to collect amounts due to the Brand Fund or to maintain, direct, or administer the Brand Fund. Any unused funds that are collected in any calendar year will be applied to the following year's funds and we reserve the right to contribute or loan additional funds to the Brand Fund on any terms we deem reasonable.

The Brand Fund is not audited. We will provide to you with an annual accounting for the Brand Fund that shows how the Brand Fund proceeds have been spent for the previous year upon your written request. During our most recent fiscal year ended December 31, 2021, the Brand Fund was spent as follows: 20% on production, 25% on media placement, 15% on administration, 15% on email marketing, and 25% on public relations. Neither we nor our affiliates receive payments for providing goods or services to the Brand Fund except for reimbursement of expenses as described above.

*Local Advertising*

In addition to the Brand Fund Contributions, you must spend an average of 2% of your Gross Sales on local advertising each calendar quarter (the "Local Advertising Requirement"). If you fail to spend the Local Advertising Requirement, you will be required to pay the difference to the Brand Fund. You will issue and offer such rebates, giveaways, and other promotions in accordance with advertising programs established by us at your sole expense. You will honor the rebates, giveaways, and other promotions issued by other franchisees under any such programs so long as such compliance does not contravene any applicable law, rule, or regulation. You will not create or issue any gift cards or gift certificates and will only sell gift the gift cards or gift certificates that have been issued or sponsored by us and which are accepted at all Rush Bowls Restaurants. You will not issue coupons or discounts of any type except we may approve at our discretion.

You may be required to participate in any local or regional advertising cooperative for Rush Bowls Restaurants that are established. The area of each local and regional advertising cooperative will be defined by us based on our assessment of the area. Franchisees in each cooperative will contribute an amount to the cooperative not to exceed 4% of Gross Sales for each Rush Bowls Restaurant that the franchisee owns that exists within the cooperative's area. Each Rush Bowls Restaurant we own that exists within the cooperative's area will contribute to the cooperative on the same basis as our franchisees. Members of the cooperative will be responsible for administering the cooperative including, without limitation, determining the amount of contributions from each member. We may require that each cooperative operate with governing documents and prepare annual unaudited financial statements. We may form, change, dissolve, or merge any advertising cooperative formed in the future. If we elect to form such cooperatives or if such cooperatives already exist near your Protected Area, you will be required to participate in compliance with the provisions of the Franchise Operations Manual which we may periodically modify at our discretion.

You must order sales and marketing material from our approved suppliers. It is a material breach of the Franchise Agreement to use other marketing material without obtaining our prior written approval. If you desire to use your own advertising materials, you must obtain our prior approval which may be granted or denied at our sole discretion. We will review your request and we will respond in writing within 30 days from the date we receive all requested information. Our failure to notify you in the specified time frame will be deemed a disapproval of your request. Use of logos, Marks, and other name identification materials must follow our approved standards. You may not use our logos, Marks, and other name identification materials on items to be sold or services to be provided without our prior written approval. You must pay a fee of $500 per occurrence to the Brand Fund if you use unauthorized advertising materials.

If you wish to advertise online, you must follow our online policy which is contained in our Franchise Operations Manual. Our online policy may change as technology and the Internet changes. Under our online policy, we may retain the sole right to market on the Internet including, without limitation, all use of websites, domain names, advertising, and co-branding arrangements. We may restrict your use of social media. We may not allow you to independently market on the Internet or use any domain name, address, locator, link, metatag, or search technique with words or symbols similar to the Marks. We intend that any franchisee website will be accessed only through our home page.

*Grand Opening Marketing*

You will spend between $3,000 and $6,500 on approved grand opening marketing, advertising, and promotion for your Rush Bowls Restaurant during the period commencing 30 days prior to the opening of your Restaurant and ending 90 days after the date on which your Rush Bowls Restaurant opens for business.

We will prepare a grand opening marketing plan outlining the use of marketing budget and will review the plan with you in advance of launch. This plan will include developing web pages specific to your location at www.rushbowls.com and may include a combination of Google Display Network advertising campaigns, social media advertising, email marketing, SEO optimization, PR, in-store collateral materials, and other initiatives as deemed necessary as part of our new store outreach program.

If requested by us, you will provide us with an accurate accounting in the form we prescribe of your expenditures for grand opening marketing, advertising, and promotion within 120 days after the opening of your Rush Bowls Restaurant. All expenditures for grand opening marketing, advertising, and promotion will be in addition to your other marketing, advertising, and promotion obligations under the Franchise Agreement.

*Advisory Council*

We currently do not have an advisory council (a "Council") to advise us on advertising policies, but we may form one in the future. The Council will be governed by bylaws. Members of the Council will consist of both franchisees and corporate representatives. Members of the Council will be appointed by us at our sole discretion. The Council will serve in an advisory capacity only. We will have the power to form, change, or dissolve the Council at our sole discretion.

Computer System

You are required to purchase a computer system capable of running MS Office and our approved point-of-sale system (the "POS System") (collectively, the "Computer System"). The POS System is currently Revel Systems POS, but we reserve the right to change the POS System in the future. We estimate the cost of purchasing the Computer System will be between $2,000 and $3,000. The Computer System will manage the daily workflow of your Rush Bowls Restaurant, coordinate the customer ordering experience, and track other information. You must record all Gross Sales on the Computer System. You must store all data and information in the Computer System and report data and information in the manner we specify. The Computer System will generate reports on the Gross Sales of your Rush Bowls Restaurant. You must maintain a high-speed Internet connection at your Rush Bowls Restaurant. In addition to offering and accepting approved gift cards, gift certificates, and loyalty cards, you must accept all credit cards and debit cards as we determine. We are not required to provide you with any ongoing maintenance, repairs, upgrades, updates, or support for the Computer System. You must arrange for the installation, maintenance, and support of the Computer System at your cost. There are no limitations in the Franchise Agreement regarding the costs of such required support, maintenance repairs, or upgrades relating to the Computer System. The cost of maintaining, updating, or upgrading the Computer System or its components will depend on your repair history, costs of computer maintenance services in your area, and technological advances. We estimate the annual cost will range between $1,000 and $2,000, but this range may vary as discussed above. We may revise our specifications for the Computer System periodically. You must upgrade or replace your Computer System at such time as specifications are revised. There is no limitation on the frequency and cost of this obligation.

We or our designee have the right to independently access the electronic information and data relating to your Rush Bowls Restaurant and to collect and use your electronic information and data in any manner including, without limitation, to promote the System and the sale of Rush Bowls Restaurants. This may include posting financial information of each franchisee on an intranet website. There is no contractual limitation on our right to receive or use information through our proprietary data management and intranet system. We may access the electronic information and data from your Computer System remotely, at your Rush Bowls Restaurant, or from other locations.

Training

*Initial Training*

We will provide approximately one week of initial training at a location we determine (generally your Rush Bowls Restaurant) which is typically conducted 30 to 60 days prior your Rush Bowls Restaurant's grand opening. You or your Operating Principal and any Designated Manager or representative that we require must complete the initial training to our satisfaction before you open your Rush Bowls Restaurant. We provide initial training at no cost for one to two people provided that they attend at the same time. You must pay up to a $500 fee for training each additional person. If training is provided at a location other than your Rush Bowls Restaurant, you must pay for airfare, meals, transportation costs, lodging, and incidental expenses for your training program attendees. Initial training classes are held as often as necessary for franchisees to complete the initial training program. You will not receive any compensation or reimbursement for services or expenses for participation in the initial training program. We plan to provide the training listed in the table below.

**TRAINING PROGRAM**

| Subject | Hours of Classroom Training | Hours of On the Job Training | Location |
|---|---|---|---|
| Daily/Weekly – Opening and Closing Procedures | 2 to 4 | 2 to 4 | On-site at your location ("On-Site"), in a virtual classroom, or at another location we determine |
| Daily Morning set-up and preparation | 2 to 4 | 2 to 4 | On-Site, in a virtual classroom, or at another location we determine |
| Labor and training methods | 2 to 4 | 2 to 4 | On-Site, in a virtual classroom, or at another location we determine |
| Production Duties and Responsibilities of Team | 2 to 4 | 2 to 4 | On-Site, in a virtual classroom, or at another location we determine |
| Ordering and Re-order Points Inventory – Equipment | 2 to 3 | 2 to 3 | On-Site, in a virtual classroom, or at another location we determine |
| Daily Chores and Procedures; Checklists | 2 to 3 | 2 to 3 | On-Site, in a virtual classroom, or at another location we determine |
| Marketing and Sales | 5 to 10 | 5 to 10 | On-Site, in a virtual classroom, or at another location we determine |
| Organization and Management | 5 to 10 | 5 to 10 | On-Site, in a virtual classroom, or at another location we determine |
| Rush Bowls Culture | 2 to 4 | 2 to 4 | On-Site, in a virtual classroom, or at another location we determine |
| Total | 24 to 46 | 24 to 46 | |

Notes:

1. We reserve the right to vary the length and content of the initial training program based upon the experience and skill level of the individual attending the initial training program. We will use the Franchise Operations Manual as the primary instruction materials during the initial training program.

2. Eric Gilson and JD Tulloch currently oversee our training program. Mr. Gilson is our Vice President of Finance and Operations and has been with us for over four years. He brings over five years of management experience and has managed a Rush Bowls Restaurant. Mr. Tulloch is our

Manager of Accounts and Technology and has been with us for over three years. JD brings over five years of management experience and has managed the original Rush Bowls Restaurant.

3. Other instructors will include experienced Rush Bowls restaurant managers or assistant managers with at least one year of management or training experience.

*Ongoing Training*

From time to time, we may require that you, your Operating Principal, your Designated Managers, or other employees attend system-wide refresher or additional training courses. Some of these courses may be optional while others may be required. If you appoint a new Operating Principal or Designated Manager, that person must attend and successfully complete our initial training program before assuming responsibility for the management of your Rush Bowls Restaurant. If we conduct an inspection of your Rush Bowls Restaurant and determine you are not operating in compliance with the Franchise Agreement, we may require that you attend remedial training to address your operational deficiencies. You may also request that we provide additional training either at our corporate headquarters or at your Rush Bowls Restaurant which we will provide at our discretion. You must pay for airfare, meals, transportation costs, lodging, and incidental expenses for your training program attendees.

## ITEM 12
## TERRITORY

Franchise Agreement

*Rush Bowls Restaurant*

You may operate your Rush Bowls Restaurant only at the approved location. The approved location for your Rush Bowls Restaurant will be described in your Franchise Agreement. If you have not identified an approved location for your Rush Bowls Restaurant when you sign your Franchise Agreement (as is typical), you and we will agree on the approved location in writing and amend the Franchise Agreement after you select a location we approve. You are not guaranteed any specific approved location and you may not be able to obtain your first choice as your approved location. You may not conduct your business from any other location. You may not relocate your Rush Bowls Restaurant without our prior written approval. We may approve a request to relocate your Rush Bowls Restaurant provided you are not in default of your Franchise Agreement in accordance with the provisions of the Franchise Agreement that provide for the relocation of your Rush Bowls Restaurant and our then-current site selection policies and procedures. Any proposed new location must be located in your Protected Area. You will be required to pay a relocation fee.

*Protected Area*

You will receive a specified geographic territory (the "Protected Area") within which we will not establish or franchise others to establish another Rush Bowls Restaurant during the term of your Franchise Agreement. The Protected Area is determined based on the geographic area and population's properties within that area and other relevant demographic characteristics. Protected Area sizes will differ among franchisees and will be determined by the specific demographics and attributes of the area in which the Rush Bowls Restaurant is located. We define areas as follows: (i) "Urban Areas" are primarily dense urban residential areas, (ii) "Suburban Areas" are moderately dense residential areas primarily on the outskirts of larger metropolitan areas or moderately-sized towns away from metro areas, and (iii) "Rural Areas" are low density residential areas in smaller towns across the United States. As a general rule, your Protected Area

will be an approximately zero to one-mile radius from your Rush Bowls Restaurant for an Urban Area, an approximately one to two-mile radius from your Rush Bowls Restaurant for a Suburban Area, and an approximately three to four-mile radius from your Rush Bowls Restaurant for a Rural Area.

You are not prohibited from directly marketing to or soliciting customers whose principal residence is outside of your Protected Area. If you renew your Franchise Agreement, your Protected Area may be modified depending on the then-current demographics of the Protected Area and our then-current standards for Protected Areas. Neither we nor any affiliates operate, franchise, or have plans to operate or franchise a business under a different trademark selling goods or services similar to those you offer.

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.

You must follow our off-site policies and procedures in our Franchise Operations Manual. You may provide catering and delivery services within your Protected Area and you may provide catering and delivery services outside of your Protected Area provided that you may not provide catering and delivery services in another franchisee's Protected Area. We may impose restrictions in the future that prevent you from providing catering and delivery services outside of your Protected Area. We have the right to withdraw our approval of catering and delivery services upon 30 days prior written notice.

If you wish to purchase an additional Rush Bowls franchise, you must apply to us and we may offer you an additional Rush Bowls franchise at our sole discretion. We consider a variety of factors when determining whether to grant additional Rush Bowls franchises. Among the factors we consider, in addition to the then-current requirements for new franchisees, are whether or not the franchisee is in compliance with the requirements under their current Franchise Agreement.

If you wish to revise, amend, or relocate your Protected Area, you must apply to us to do so and we may, but are not required to, grant your request. We may condition our approval of such request on any terms or conditions which we deem reasonable including, without limitation, requiring you to pay a Territory Revision Fee of up to $1,000 as described in Item 6.

You do not receive the right to acquire additional Rush Bowls franchises within your Protected Area unless you purchase the right in your Area Development Agreement. You are not given a right of first refusal on the sale of existing Rush Bowls franchises.

We have established a website (the "Rush Bowls Website") and have the sole right to control its features and advertise and promote Rush Bowls Restaurants including your Rush Bowls Restaurant. If you wish to advertise online using your own website, you may not establish an account or participate in any social networking sites or mention or discuss Rush Bowls Restaurants, us, or any of our affiliates without our prior written consent and subject to our online policy. You cannot use other channels of distribution, the Internet, catalog sales, telemarketing, or other direct marketing to make sales outside your Protected Area.

Area Development Agreement

Under the Area Development Agreement, you are assigned a Development Territory in which you must develop a designated number of Rush Bowls Restaurants. The size of the Development Territory will depend on the number of Rush Bowls Restaurants to be developed, the area's demographics, the area's population, and other factors. In certain densely populated metropolitan areas, a Development Territory

may be small if it has a high population density while Development Territories in less densely populated urban areas may have significantly larger areas.

The Development Territory will be an exclusive territory for the development of Rush Bowls Restaurants during the term of the Area Development Agreement so long as you are in compliance with the Area Development Agreement. This exclusivity grants you the exclusive rights to open Rush Bowls Restaurants in the Development Territory provided that you follow the terms of the Area Development Agreement. The rights granted under the Area Development Agreement relate only to the development of the Rush Bowls Restaurants identified in the Area Development Agreement. Except as provided in the Area Development Agreement and subject to your full compliance with the Area Development Agreement and any other agreement among you or any of your affiliates and us or any of our affiliates, neither we nor our affiliates will establish or authorize any other person or entity other than you to establish a Rush Bowls Restaurant in your Development Territory during the term of the Area Development Agreement. The Development Territory may already include existing Rush Bowls Restaurants and you may not develop a Rush Bowls Restaurant that infringes on the territorial rights of existing Rush Bowls franchises.

We, our affiliates, and any other authorized person or entity including, without limitation, any other franchisee may at any time conduct any other type of activities within your Development Territory that we are permitted to conduct under your Area Development Agreement or Franchise Agreements. The Development Territory will terminate upon the completion of the Development Schedule or the termination of the Area Development Agreement, whichever occurs first, and the only territorial protections that you will receive upon termination will be those under each individual Franchise Agreement. The site selection and approval process for each Rush Bowls Restaurant under an Area Development Agreement is the same as that for a single Rush Bowls Restaurant and will be governed by the Franchise Agreement signed for that Rush Bowls Restaurant.

Any failure to adhere to the Development Schedule will constitute a material event of default under the Area Development Agreement, for which we may, without limitation: (i) terminate the Area Development Agreement, (ii) terminate the territorial exclusivity in the Development Territory, (iii) reduce the area of the Development Territory, (iv) permit you to extend the Development Schedule, or (v) pursue any other remedy we may have at law or in equity including, without limitation, a suit for non-performance.

The size of the Development Territory may be a single or multi-city area, single county area, or some other area and will be described in Attachment A to your Area Development Agreement. We will determine the Development Territory before you sign the Area Development Agreement based on various market and economic factors.

Reservation of Rights

We and our affiliates have the right to operate and license others to operate Rush Bowls Restaurants at any location outside the Protected Area or Development Territory even if doing so will or might affect your operation of your Rush Bowls Restaurants. We retain all rights not expressly granted to you. These include the rights for ourselves and our affiliates to:

1. Own, franchise, acquire, operate, or license to others to operate Rush Bowls Restaurants at any location outside of the Protected Area or Development Territory regardless of the proximity to your Rush Bowls Restaurants.

2. Develop other business concepts under other brand names, provided such concepts are not competitive businesses, even if the locations for the concepts are within the Protected Area or Development Area and even if these businesses are in competition with you.

3. Use the Marks and the System to sell products or services similar to those which you will sell through any alternate channels of distribution within or outside of the Protected Area or Development Area. This includes, without limitation, other channels of distribution such as television, catalog sales, wholesale to unrelated retail outlets, or the Internet. We exclusively reserve the Internet as a channel of distribution for us and you may not independently market on the Internet or conduct e-commerce.

4. Offer and sell food products including, without limitation, frozen products and proprietary food products under the Marks or any other marks, through grocery stores, convenience stores, hotel shops and kiosks, theatres, malls, airports, gas stations, college campuses, military facilities, sports venues, theme or entertainment parks, casinos. or other retail locations within or outside of the Protected Area or Development Territory.

5. Use and license the use of other proprietary and non-proprietary marks or methods that are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a business offering wholesome, all-natural food bowls and related products and services at any location including within the Protected Area or Development Territory that may be similar to or different from the Rush Bowls Restaurant you operate.

6. Engage in any transaction including, without limitation, purchasing, being purchased by, merging, or combining with, or converting the System into a new system with any business whether franchised or corporately owned including a business that competes directly with your Rush Bowls Restaurant located anywhere, provided that in such situations newly acquired businesses located inside of the Protected Area or Development Territory will not operate under the Marks.

7. Implement multi-area marketing programs that may allow us or others to solicit or sell to customers anywhere. We reserve the right to issue mandatory policies to coordinate such multi-area marketing programs.

We are not required to pay you if we exercise any of the rights specified above. The continuation of the Protected Area is not dependent upon your achievement of a certain sales volume, market penetration, or other contingency. We do not pay compensation for soliciting or accepting orders inside your Protected Area or Development Territory.

## ITEM 13
## TRADEMARKS

The Marks are owned by LR and exclusively licensed to us. The Franchise Agreement and your payment of Royalties grant you the non-exclusive right and license to use the System which includes the use of the Marks. LR has granted us an exclusive license (the "Trademark License") to use the Marks to franchise the System around the world. The Trademark License is for ten years and began on May 18, 2016. It will automatically renew for subsequent ten-year periods provided we are not in default or do not materially breach the Trademark License by engaging in any activity which damages the Marks or the goodwill of the System. If the Trademark License is terminated, LR will license the Marks directly to our franchisees until each Franchise Agreement expires or is otherwise terminated. LR has registrations with the United States Patent and Trademark Office (the "USPTO") for the following Marks:

| Trademark | Registration Number | Date of Registration | Status |
|---|---|---|---|
| RUSH BOWLS | 4,212,473 | September 25, 2012 | Registered on the Principal Register |
| RUSH BOWLS | 5,265,056 | August 15, 2017 | Registered on the Principal Register |
| | 5,345,709 | November 28, 2017 | Registered on the Principal Register |

There are no effective adverse material determinations of the USPTO, the Trademark Trial and Appeal Board, or the trademark administrator of any state or any court and no pending infringement, opposition, cancellation proceedings, or material litigation involving the Marks. All required affidavits and renewals have been filed.

Except for the Trademark License, there are no agreements currently in effect that significantly limit our right to use or license the use of the principal Marks in any manner material to the System. We do not know of any superior prior rights or infringing uses that could materially affect your use of the Marks. You must follow our rules when using the Marks. You cannot use our name or Marks as part of a corporate name or with modifying words, designs, or symbols without our prior written consent. You must indicate to the public in any contract or advertisement and display with a conspicuous sign in your Rush Bowls Restaurant that you are an independently owned and operated licensed franchisee of Rush Bowls. You may not use the Marks in the sale of unauthorized services or products or in any manner we do not authorize. You may not use the Marks in any advertising for the transfer, sale, or other disposition of your Rush Bowls Restaurant or any interest in your Rush Bowls franchise. All rights and goodwill from the use of the Marks accrue to us.

We will defend you against any claim brought against you by a third party that your use of the Marks in accordance with the Franchise Agreement infringes upon that party's intellectual property rights. We may require your assistance, but we will exclusively control any proceeding or litigation relating to our Marks. We have no obligation to pursue any infringing users of our Marks. If we learn of an infringing user, we will take appropriate action, but we are not required to take any action if we do not feel it is warranted. You must notify us within three days if you learn that any party is using the Marks or a trademark that is confusingly similar to the Marks. We have the sole discretion to take such action as we deem appropriate to exclusively control any litigation or administrative proceeding involving a trademark licensed by us to you.

If we determine at any time in our sole discretion that you or us must modify or discontinue using any Mark or use one or more additional or substitute trademarks or service marks, you will comply with our directions within a reasonable time after receiving notice. We will not reimburse you for your direct

expenses of changing signage, any loss of revenue, or other indirect expenses resulting from any modified or discontinued Mark or for your expenses of promoting a modified or substituted trademark or service mark.

You will not directly or indirectly contest our right to the Marks. We may acquire, develop, and use additional marks not listed herein and may make those marks available for your use and for use by other franchisees.

## ITEM 14
## PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

The information in the Franchise Operations Manual is proprietary and is protected by copyright and other laws. The designs contained in the Marks, the layout of our advertising materials, the ingredients and formula of our products and recipes, and any other writings and recordings in print or electronic form are also protected by copyright and other laws. Although we have not applied for copyright registration for the Franchise Operations Manual, our advertising materials, the content and format of our products or any other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information (the "Copyrighted Works") for your operation of your Rush Bowls Restaurant, but such copyrights remain our sole property.

There are no effective determinations of the United States Copyright Office or any court regarding any Copyrighted Works, nor are there any proceedings pending, nor are there any effective agreements between us and third parties pertaining to the Copyrighted Works that will or may significantly limit using the Copyrighted Works.

Our Franchise Operations Manual, electronic information and communications, sales and promotional materials, the development and use of the System, standards, specifications, policies, procedures, information, concepts and systems on, knowledge of, and experience in the development, operation, and franchising of Rush Bowls Restaurants, our training materials and techniques, information concerning Product and service sales, operating results, financial performance, and other financial data of Rush Bowls Restaurants and other related materials (the "Confidential Information") are proprietary and confidential and are to be used by you only as described in your Franchise Agreement or the Franchise Operations Manual. Where appropriate, certain information has also been identified as trade secrets (the "Trade Secrets"). You must maintain the confidentiality of the Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of the Confidential Information and Trade Secrets.

We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for you to develop your Rush Bowls Restaurant during training and in guidance and assistance furnished to you under the Franchise Agreement. You may learn or obtain from us additional Confidential Information and Trade Secrets during the term of the Franchise Agreement. The Confidential Information and Trade Secrets are valuable assets of ours and are disclosed to you on the condition that you, your owners if you are a business entity, and your employees agree to maintain the information in confidence by entering into a confidentiality agreement we can enforce. Nothing in the Franchise Agreement will be construed to prohibit you from using the Confidential Information or Trade Secrets in the operation of other Rush Bowls Restaurants during the term of the Franchise Agreement.

You must notify us within three days after you learn about another's use of language, a visual image, or a recording of any kind that you perceive to be identical or substantially similar to one of our Copyrighted Works or your use of our Confidential Information or Trade Secrets, or if someone challenges

your use of our Copyrighted Works, Confidential Information, or Trade Secrets. We will take whatever action we deem appropriate at our sole and absolute discretion to protect our rights in and to the Copyrighted Works, Confidential Information, or Trade Secrets which may include payment of reasonable costs associated with the action. The Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of or challenge to your use of any Copyrighted Works, Confidential Information, or Trade Secrets or claim by any person of any rights in any Copyrighted Works, Confidential Information, or Trade Secrets. You must not directly or indirectly contest our rights to our Copyrighted Works, Confidential Information, or Trade Secrets. You may not communicate with anyone except us, our counsel, or our designees regarding any infringement, challenge, or claim. We will take action as we deem appropriate regarding any infringement, challenge, or claim and reserve the sole right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim regarding any Copyrighted Works, Confidential Information, or Trade Secrets. You must sign any instruments and documents, give the assistance, and do acts and things that may be necessary in the opinion of our counsel to protect and maintain our interests in any litigation or proceeding or to protect and maintain our interests in the Copyrighted Works, Confidential Information, and Trade Secrets.

No patents or patents pending are material to us at this time.

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

We require that you either directly operate your Rush Bowls Restaurant or designate a manager (a "Designated Manager") who has been approved by us. If you are not an individual, you must designate an "Operating Principal" acceptable to us who will be principally responsible for communicating with us about the Rush Bowls Restaurant. The Operating Principal must have the authority and responsibility for the day-to-day operations of your Rush Bowls Restaurant, but need not have an ownership interest in the legal entity of the franchise owner. The Designated Manager must successfully complete our training program (Item 11). We do not require that the Designated Manager have an ownership interest in your legal entity. If you replace a Designated Manager, the new Designated Manager must satisfactorily complete our training program at your own expense.

Area Developers must own at least a 51% equity interest in the franchisee entity for each Rush Bowls franchise developed under the Area Development Agreement.

If you are a legal entity, an officer that does not own equity in the franchisee entity must sign a "System Protection Agreement" in the form attached to this Franchise Disclosure Document in Exhibit H. All of your Designated Managers, employees, independent contractors, agents, or representatives that may have access to our Confidential Information must sign a confidentiality agreement (unless they already signed a System Protection Agreement), the current form of which is attached to this Franchise Disclosure Document in Exhibit H. If you are a legal entity, each person holding a direct or indirect ownership interest in you must sign an owner's agreement in the form attached to the Franchise Agreement as Attachment 2. We also require that the spouses of your owners sign the owner's agreement.

## ITEM 16
## RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must sell or offer for sale only those services and products we authorize that meet our standards and specifications. Authorized products may differ among our franchisees and may vary depending on the operating season and geographic location of your Rush Bowls Restaurant or other factors. You must follow

our policies, procedures, methods, and techniques. You must sell or offer for sale all types of services and products we specify. We may change or add to our required services and products at our discretion upon prior notice to you. There are no limitations on our right to change required services and products. If we change or add to our required services and products, the changes or additions will remain in permanent effect unless we specify otherwise. The amount you must pay for the changes or additions will depend upon the nature and type of changes or additions. You must discontinue selling and offering for sale any services or products that we disapprove. We reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions as allowed by law.

You may not permit any jukeboxes, electronic games, vending machines (including, without limitation, cigarette, gum, and candy machines), ATMs, newspaper racks, entertainment devices, coin-operated or token-operated machines, gambling devices, or other concessions to be used at your Rush Bowls Restaurant without our prior written permission.

You may not establish an account or participate in any social networking sites, crowdfunding campaigns or blogs or mention or discuss the System, us, or any of our affiliates without our prior written consent as subject to our online policy. Our online policy may completely prohibit you from any use of the Marks in social networking sites or any other online use. You may not sell products through other channels of distribution such as wholesale, Internet, or mail order sales. We place no other restrictions on your ability to serve customers provided you do so from the location of your Rush Bowls Restaurant in accordance with our policies.

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

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

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| a. Length of the franchise term | Section 2.1 | Ten years beginning on the earlier of the date we require that you open for business or your actual opening date; the term may be extended under certain circumstances to coincide with the term of the lease for your Rush Bowls Restaurant. |
| b. Renewal or extension of the term | Section 2.2 | If you are in good standing and you meet other requirements, you may add three successor terms of five years each. |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| c. Requirements for franchisee to renew or extend | Section 2.2 | (i) You must give us at least 180 days but no more than one year notice, (ii) pay all amounts due, (iii) be in compliance, (iv) not have been in default more than two times in any twelve-month period or more than six times during the term, (v) no default uncured for longer than 60 days, (vi) you either own or have the right to lease your Rush Bowls Restaurant's location for at least five years, (vii) you and your management staff have completed required training, (viii) you remodel as required, (ix) you pay the renewal fee, (x) and you sign our then-current Franchise Agreement and ancillary documents for the successor term which new franchise agreement may have materially different terms and conditions (including, without limitation, higher royalty and advertising contributions) from your original Franchise Agreement. The term "renewal" refers to extending our franchise relationship at the end of your initial term and any other renewal or extension of the initial term. Your successor franchise rights permit you to remain a franchisee after the initial term of your Franchise Agreement expires. |
| d. Termination by franchisee | Section 19 | You may terminate the Franchise Agreement if you are in compliance with it and we are in material breach and we fail to cure that breach within 30 days of receiving written notice subject to applicable state law. |
| e. Termination by franchisor without "cause" | Not applicable | Not applicable. |
| f. Termination by franchisor with "cause" | Section 18 | We can terminate upon certain violations of the Franchise Agreement by you including, without limitation, failure to timely pay any fees, rents, or any other monetary obligations due and payable to us or an affiliate under the Franchise Agreement or any other agreement. |
| g. Curable defaults | Sections 18.1 and 18.2 | You may cure the defaults listed in Section 18.1. |
| h. Non-curable defaults | Section 18.4 | Non-curable defaults include certain crimes, insolvency or bankruptcy, abandonment of the Rush Bowls Restaurant, failure to produce certain records or to permit audit, multiple breaches, failure to timely open the Rush Bowls Restaurant, multiple defaults, and abandonment. |
| i. Franchisee's obligations on termination/non-renewal | Section 20 | Obligations include complete de-identification, payment of amounts due, and the return of confidential Franchise Operations Manual, all Confidential Information, Trade Secrets, and records. |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| j. Assignment of contract by franchisor | Section 17.1 | No restriction on our right to assign. |
| k. "Transfer" by franchisee – defined | Section 32.34 | Includes any voluntary, involuntary, direct or indirect sale, assignment, pledge, bequeath, trade, transfer, lease, or sublease. |
| l. Franchisor approval of transfer by franchisee | Sections 17.3 and 17.4 | We have the right to approve all transfers. |
| m. Conditions for franchisor approval of transfer | Section 17.3 | Conditions include: (i) the new owner has sufficient business experience and financial resources to operate the Rush Bowls Restaurant, (ii) you pay all amounts due, (iii) the new owner and employees complete the initial training program, (iv) your landlord consents to the transfer of your lease, (v) you pay a transfer fee, (vi) you sign a general release in our favor, (vii) the new owner agrees to bring the Rush Bowls Restaurant up to our current standards, (viii) the new owner signs a new franchise agreement in the then-current form, (ix) you observe all applicable provisions including, without limitation, non-compete obligations set forth in the Franchise Agreement, and (x) you reimburse us for any broker commissions or placement fees. |
| n. Franchisor's right of first refusal to acquire franchisee's business | Sections 21.1 and 21.8 | We have 30 days to match any offer for your Rush Bowls franchise. |
| o. Franchisor's option to purchase franchisee's business | Sections 21.1 and 21.10 | We may, but are not required to, purchase your Rush Bowls franchise, inventory, or equipment at fair market value if the Franchise Agreement is terminated for any reason. |
| p. Death or disability of franchisee | Section 17.2 | The Franchise Agreement may be transferred or assigned to a qualified party after death or disability. |
| q. Non-competition covenants during the term of the franchise | Section 23.2 | You may not participate in a diverting business, have no owning interest in, loan money to, or perform services for a competitive business anywhere subject to applicable state law. You may not interfere with our or our other franchisees' Rush Bowls Restaurants. |
| r. Non-competition covenants after the franchise is terminated or expires | Sections 23.3 and 23.4 | Owners may not have an interest in, own, manage, operate, finance, control or participate in any competitive business within ten miles of your Rush Bowls Restaurant or any other Rush Bowls Restaurant, or within any Protected Area or Development Territory granted by us pursuant to an Area Development Agreement or other territorial agreement for two years subject to applicable state law. |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| s. Modification of agreement | Section 28.3 | No modifications of the Franchise Agreement during the term unless agreed to in writing, but the Franchise Operations Manual is subject to change at any time at our discretion. Modifications are permitted on renewal. |
| t. Integration/merger clause | Section 28.4 | Only the terms of the Franchise Agreement and other related written agreements are binding subject to applicable state law. Any representations or promises outside of this Franchise Disclosure Document or your Franchise Agreement may not be enforceable. |
| u. Dispute resolution by arbitration or mediation | Section 27 | Except for certain claims, all disputes must be mediated and negotiated in the city closest to our principal place of business (currently, Westminster, Colorado) subject to applicable state law. |
| v. Choice of forum | Section 27.7 | All disputes must be mediated, negotiated, and litigated as applicable in the city closest to our principal place of business (currently, Westminster, Colorado) subject to applicable state law. |
| w. Choice of law | Section 27.7 | Colorado law applies subject to applicable state law. |

## THE AREA DEVELOPER RELATIONSHIP

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

| Provision | Section in Area Development Agreement | Summary |
|---|---|---|
| a. Length of agreement term | 1.2 | Until the expiration or termination of the Area Development Agreement. |
| b. Renewal or extension of the term | Not applicable | Not applicable. |
| c. Requirements for area developer to renew or extend | Not applicable | Not applicable. |
| d. Termination by area developer | Not applicable | Not applicable. |
| e. Termination by franchisor without cause | Not applicable | Not applicable. |
| f. Termination by franchisor with cause | Sections 4.2, 7.1, and 7.3 | We can terminate if you or any of your affiliates materially default under the Area Development Agreement, any individual Franchise Agreement, or any other agreement with us, or if you fail to comply with the Development Schedule. |
| g. "Cause" defined – curable defaults | Not applicable | Not applicable. |
| h. "Cause" defined – non-curable defaults | Sections 4.2, 7.1, and 7.3 | If you default on the Area Development Agreement, any individual Franchise Agreement, or any other agreement with us, or if you fail to comply with the Development Schedule. |

| Provision | Section in Area Development Agreement | Summary |
|---|---|---|
| i. Area developer's obligations on termination/non-renewal | Section 7.4 | Obligations include the payment of all amounts due. You remain bound by all Franchise Agreements. |
| j. Assignment of the contract by franchisor | Section 8.1 | No restrictions on our right to assign the Area Development Agreement. |
| k. "Transfer" by area developer – definition | Not applicable | Not applicable. |
| l. Franchisor approval of transfer by area developer | 8.2 | You may not assign the Area Development Agreement or any rights to the Development Territory. |
| m. Conditions for franchisor approval of transfer | Not applicable | Not applicable. |
| n. Franchisor's right of first refusal to acquire area developer's business | Not applicable | Not applicable. |
| o. Franchisor's option to purchase area developer's business | Not applicable | Not applicable. |
| p. Death or disability of area developer | Section 7.2 | The Area Development Agreement may be transferred or assigned to a qualified party after death or disability. |
| q. Non-competition covenants during the term of the franchise | Not applicable | Not applicable. |
| r. Non-competition covenants after the franchise is terminated or expires | Not applicable | Not applicable. |
| s. Modification of the agreement | Section 10 | No modifications of the Area Development Agreement unless agreed to in writing. |
| t. Integration/merger clause | Section 10 | Only the terms of the Area Development Agreement are binding subject to state law. Any representations or promises outside of this Franchise Disclosure Document and the Area Development Agreement may not be enforceable. |
| u. Dispute resolution by arbitration or mediation | Section 13 | Except for certain claims, all disputes must be mediated and negotiated in the city closest to our principal place of business (currently, Westminster, Colorado) subject to applicable state law. |
| v. Choice of forum | Section 13 | All disputes must be mediated or litigated as applicable in the city closest to our principal place of business (currently, Westminster, Colorado) subject to applicable state law. |
| w. Choice of law | Section 13 | Colorado law applies subject to applicable state 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 disclose information about the actual or potential financial performance of its franchised or franchisor-owned outlets if there is a reasonable basis for the information and the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (i) a franchisor provides the actual records of an existing outlet you are considering buying, or (ii) 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 make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Andrew Pudalov, 11031 Sheridan Boulevard, Suite One, Westminster, Colorado 80020, franchisor@rushbowls.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20
## OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years 2019 to 2021

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---|---|---|---|---|
| Franchised Outlets | 2019 | 6 | 21 | +15 |
| | 2020 | 21 | 29 | +8 |
| | 2021 | 29 | 31 | +2 |
| Company-Owned [(1)] | 2019 | 3 | 3 | 0 |
| | 2020 | 3 | 2 | -1 |
| | 2021 | 2 | 2 | 0 |
| Total Outlets | 2019 | 9 | 24 | +15 |
| | 2020 | 24 | 31 | +7 |
| | 2021 | 31 | 33 | +2 |

[(1)] The ownership of two affiliate-owned outlets were transferred to a former principal of ours under an Equity Purchase Agreement. These outlets will continue to operate in accordance with the franchise standards.

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Table No. 2
Transfers from Franchisees to New Owners
(Other than the Franchisor)
For Years 2019 to 2021

| State | Year | Number of Transfers |
|---|---|---|
| California | 2019 | 0 |
| | 2020 | 1 |
| | 2021 | 0 |
| Colorado | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 2 |
| Utah | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 1 |
| Totals | 2019 | 0 |
| | 2020 | 1 |
| | 2021 | 3 |

Table No. 3
Status of Franchised Outlets
For Years 2019 to 2021

| State | Year | Outlets at Start of the Year | Outlets Opened | Termina-tions | Non-Renewals | Reacquired by Franchisor | Ceased Opera-tions-Other Reasons | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| Arizona | 2019 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Arkansas | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| California | 2019 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Colorado | 2019 | 1 | 2 | 0 | 0 | 0 | 0 | 3 |
| | 2020 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Connecticut | 2019 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |

| State | Year | Outlets at Start of the Year | Outlets Opened | Termina-tions | Non-Renewals | Reacquired by Franchisor | Ceased Opera-tions-Other Reasons | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| Florida | 2019 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Georgia | 2019 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Idaho | 2019 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Indiana | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Michigan | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| Missouri | 2019 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| North Carolina | 2019 | 0 | 2 | 0 | 0 | 0 | 1 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Ohio | 2019 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Oregon | 2019 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| South Carolina | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Tennessee | 2019 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| State | Year | Outlets at Start of the Year | Outlets Opened | Termina-tions | Non-Renewals | Reacquired by Franchisor | Ceased Opera-tions-Other Reasons | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| Texas | 2019 | 2 | 2 | 0 | 0 | 0 | 0 | 4 |
| | 2020 | 4 | 1 | 0 | 0 | 0 | 0 | 5 |
| | 2021 | 5 | 2 | 0 | 0 | 0 | 0 | 7 |
| Utah | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Washington | 2019 | 0 | 2 | 0 | 0 | 0 | 1 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Washington, D.C. | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Alberta, Canada | 2019 | 0 | 1 | 0 | 0 | 0 | 1 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| US Totals | 2019 | 6 | 18 | 0 | 0 | 0 | 3 | 21 |
| | 2020 | 21 | 8 | 0 | 0 | 0 | 0 | 29 |
| | 2021 | 29 | 3 | 0 | 0 | 0 | 1 | 31 |
| Canada | 2019 | 0 | 1 | 0 | 0 | 0 | 1 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 2019 | 6 | 19 | 0 | 0 | 0 | 4 | 21 |
| | 2020 | 21 | 8 | 0 | 0 | 0 | 0 | 29 |
| | 2021 | 29 | 3 | 0 | 0 | 0 | 1 | 31 |

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Table No. 4
Status of Company-Owned Outlets
For Years 2019 to 2021

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired From Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of Year |
|---|---|---|---|---|---|---|---|
| Colorado | 2019 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2020 | 3 | 0 | 0 | 1 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 2 |
| Total Outlets | 2019 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2020 | 3 | 0 | 0 | 1 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 2 |

Table No. 5
Projected Openings as of
December 31, 2021

| State | 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 |
|---|---|---|---|
| Alabama | 1 | 1 | 0 |
| California | 3 | 1 | 0 |
| Colorado | 3 | 3 | 0 |
| Florida | 2 | 2 | 0 |
| Idaho | 1 | 1 | 0 |
| Louisiana | 1 | 1 | 0 |
| Minnesota | 1 | 2 | 0 |
| Nebraska | 1 | 1 | 0 |
| Total | 13 | 12 | 0 |

The names, addresses and telephone numbers of our current franchisees are attached to this Franchise Disclosure Document as Exhibit E. The name and last known address and telephone number of every current franchisee and every franchisee who has had a Rush Bowls franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our franchise agreement during the one-year period ending December 31, 2021, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document, is listed in Exhibit E. In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experiences with Rush Bowls. You may wish to speak with current and former franchisees, but know that not all such franchisees can communicate with you. During the last three fiscal years, certain current and former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in the System. If you buy a Rush Bowls franchise, your contact information may be disclosed to other buyers when you leave the System.

As of the Issuance Date of this Franchise Disclosure Document, there are no franchise organizations sponsored or endorsed by us and no independent franchisee organizations have asked to be included in this Franchise Disclosure Document. We do not have any trademark specific franchisee organizations.

## ITEM 21
## FINANCIAL STATEMENTS

Exhibit B contains the financial statements required to be included with this Franchise Disclosure Document: audited financial statements for the fiscal year ended December 31, 2021, December 31, 2020, and December 31, 2019. Our fiscal year end is December 31.

## ITEM 22
## CONTRACTS

| | |
|---|---|
| Exhibit C | Franchise Agreement |
| Exhibit D | Area Development Agreement |
| Exhibit F | State Addenda and Agreement Riders |
| Exhibit H | Contracts for use with the Rush Bowls Franchise |
| Exhibit H-1 | Sample General Release Agreement |
| Exhibit I | Franchise Disclosure Questionnaire |

## ITEM 23
## RECEIPT

The last pages of this Franchise Disclosure Document at Exhibit K are a detachable document in duplicate. Please detach, sign, date, and return one copy of the Receipt to us acknowledging you received this Franchise Disclosure Document. Please keep the second copy for your records.

# EXHIBIT A

## STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

**CALIFORNIA**

State Administrator and Agent for Service of Process:

Commissioner
Department of Financial Protection and Innovation
320 West Fourth Street, Suite 750
Los Angeles, CA 90013
(213) 576-7500
(866) 275-2677

**HAWAII**

Commissioner of Securities of the State of Hawaii
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Agent for Service of Process:

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

**ILLINOIS**

Illinois Attorney General
Chief, Franchise Division
500 South Second Street
Springfield, IL 62706
(217) 782-4465

**INDIANA**

Secretary of State
Securities Division
Room E-018
302 West Washington Street
Indianapolis, IN 46204
(317) 232-6681

**MARYLAND**

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

Agent for Service of Process:

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020

**MICHIGAN**

Michigan Department of Attorney General
Consumer Protection Division
525 West Ottawa Street
Lansing, MI 48913
(517) 373-7117

**MINNESOTA**

Department of Commerce
Commissioner of Commerce
85 Seventh Place East, Suite 280
St. Paul, MN 55101-3165
(651) 539-1600

**NEW YORK**

Administrator:

New York State Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
(212) 416-8285

Agent for Service of Process:

Secretary of State
99 Washington Avenue
Albany, NY 12231

**NORTH DAKOTA**

North Dakota Securities Department
State Capitol, Fifth Floor, Department 414
600 East Boulevard Avenue
Bismarck, ND 58505-0510
(701) 328-4712

**RHODE ISLAND**

Department of Business Regulation
1511 Pontiac Avenue, Building 68-2
Cranston, RI 02920
(401) 462-9527

**SOUTH DAKOTA**

Division of Insurance
Securities Regulation
124 South Euclid, Suite 104
Pierre, SD 57501
(605) 773-3563

**VIRGINIA**

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, Ninth Floor
Richmond, VA 23219

Agent for Service of Process:

Clerk of the State Corporation Commission
1300 East Main Street, First Floor
Richmond, VA 23219

**WASHINGTON**

State Administrator:

Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, WA 98507
(360) 902-8760

Agent for Service for Process:

Director of Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, WA 98501

**WISCONSIN**

Department of Financial Institutions
Division of Securities
201 West Washington Avenue
Madison, WI 53703
(608) 266-3364

**EXHIBIT B**

**FINANCIAL STATEMENTS**

# RUSH BOWL FRANCHISING, LLC

## FINANCIAL STATEMENTS
## WITH INDEPENDENT AUDITOR'S REPORT

December 31, 2021, 2020, and 2019 (Restated)

# RUSH BOWL FRANCHISING, LLC

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KEZOS & DUNLAVY
Certified Public Accountants
& Business Advisors

*Independent Auditor's Report*

To the Member
Rush Bowls Franchising, LLC
Westminster, Colorado

We have audited the accompanying financial statements of Rush Bowls Franchising, LLC, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, member's equity, and cash flows for the years then ended, and the related notes to the financial statements. The financial statements of Rush Bowls Franchising, LLC as of December 31, 2019 were audited by other auditors whose report dated April 20, 2020 expressed an unmodified opinion on those statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rush Bowls Franchising, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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

***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

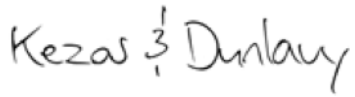
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

***Emphasis of Matter***

As discussed in Note 1, the Company adopted ASC 952-606, *Franchisors-Revenue from Contracts with Customers*, restating the financial statements for the year ended December 31, 2019.



St. George, Utah
March 7, 2022

# RUSH BOWLS FRANCHISING, LLC
## BALANCE SHEETS
## As of December 31, 2021, 2020, and 2019 (Restated)

| | 2021 | 2020 | 2019* |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash and cash equivalents | $ 463,557 | $ 178,991 | $ 63,094 |
| Accounts receivable | - | 8,210 | 18,556 |
| Prepaid expense | 1,000 | - | 11,134 |
| Work in process - mobile app | - | - | 42,163 |
| Deferred commissions, current | 101,728 | 72,188 | 214,206 |
| Total current assets | 566,285 | 259,389 | 349,153 |
| Non-current assets | | | |
| Property and equipment, net | - | - | 355,749 |
| Deferred commissions, non-current | 1,262,835 | 1,236,376 | 1,240,947 |
| Other non-current assets | 1,000 | 1,000 | 1,000 |
| Total assets | $ 1,830,120 | $ 1,496,765 | $ 1,946,849 |
| **Liabilities and Member's Equity** Current liabilities | | | |
| Accounts payable | $ 2,933 | $ 2,503 | $ 11,466 |
| Accrued expenses | - | - | 10,240 |
| Marketing contribution fund | 81,959 | 71,335 | 28,268 |
| Note payable | - | 88,700 | - |
| Deferred revenue, current | 207,834 | 149,134 | 339,550 |
| Total current liabilities | 292,726 | 311,672 | 389,524 |
| Non-current liabilities | | | |
| Deferred revenue, non-current | 2,258,233 | 2,088,967 | 2,117,384 |
| Total liabilities | 2,550,959 | 2,400,639 | 2,506,908 |
| Member's equity | (720,839) | (903,874) | (560,059) |
| Total liabilities and member's equity | $ 1,830,120 | $ 1,496,765 | $ 1,946,849 |

The accompanying notes are an integral part of the financial statements.

*Certain amounts shown here do not correspond to the 2019 financial statements and reflect adjustments made. Refer to Note 1.

# RUSH BOWLS FRANCHISING, LLC
## STATEMENTS OF OPERATIONS
For the years ended December 31, 2021, 2020, and 2019 (Restated)

| | 2021 | 2020 | 2019* |
|---|---|---|---|
| Operating revenue | | | |
| Royalty fees | $ 400,989 | $ 244,188 | $ 176,995 |
| Franchise fees | 148,134 | 291,414 | 529,590 |
| Other revenue | 18,006 | 13,360 | 83,036 |
| Total revenue | 567,129 | 548,962 | 789,621 |
| Operating expenses | | | |
| General and administrative | 414,698 | 431,373 | 690,339 |
| Professional fees | 41,790 | 61,835 | 57,260 |
| Marketing and advertising | 2,035 | 23,224 | 275,896 |
| Commissions | 97,621 | 194,589 | 266,843 |
| Depreciation | - | - | 58,071 |
| Total operating expenses | 556,144 | 711,021 | 1,348,409 |
| Income (loss) from operations | 10,985 | (162,059) | (558,788) |
| Other income | 213,350 | - | 5,450 |
| Net income (loss) | $ 224,335 | $ (162,059) | $ (553,338) |

The accompanying notes are an integral part of the financial statements.

*Certain amounts shown here do not correspond to the 2019 financial statements and reflect adjustments made. Refer to Note 1.

# RUSH BOWLS FRANCHISING, LLC
## STATEMENTS OF MEMBER'S EQUITY
For the years ended December 31, 2021, 2020, and 2019 (Restated)

| | | |
|---|---|---|
| Balance as of January 1, 2019 | $ | (386,926) |
| Member contributions | | 528,986 |
| Member distributions | | (148,781) |
| Net loss | | (553,338) |
| Balance as of December 31, 2019 | | (560,059) |
| Member contributions | | 248,750 |
| Member distributions | | (430,506) |
| Net loss | | (162,059) |
| Balance as of December 31, 2020 | | (903,874) |
| Member distributions | | (41,300) |
| Net income | | 224,335 |
| Balance as of December 31, 2021 | $ | (720,839) |

The accompanying notes are an integral part of the financial statements.

*Certain amounts shown here do not correspond to the 2019 financial statements and reflect adjustments made. Refer to Note 1.

RUSH BOWLS FRANCHISING, LLC
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021, 2020, and 2019 (Restated)

| | 2021 | 2020 | 2019* |
|---|---|---|---|
| Cash flow from operating activities: | | | |
| Net income (loss) | $ 224,335 | $ (162,059) | $ (553,338) |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | - | - | 58,071 |
| Forgiveness of debt | (212,880) | - | - |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | 8,210 | 10,346 | 83,756 |
| Accounts receivable, related party | - | - | 48,331 |
| Prepaid expenses | (1,000) | 11,134 | (2,868) |
| Deferred commissions | (55,999) | 146,589 | (373,417) |
| Accounts payable | 430 | (8,963) | (135,533) |
| Accrued expenses | - | (10,240) | 5,136 |
| Marketing fund | 10,624 | 43,067 | 15,914 |
| Deferred revenue | 227,966 | (218,833) | 506,409 |
| Net cash provided (used) by operating activities | 201,686 | (188,959) | (347,539) |
| Cash flows from investing activities: | | | |
| Purchases of property and equipment | - | - | (113,944) |
| Net cash used by investing activities | - | - | (113,944) |
| Cash flows from financing activities: | | | |
| Draw on note payable | 124,180 | 88,700 | - |
| Member distributions | (41,300) | (32,594) | (148,781) |
| Member contributions | - | 248,750 | 528,986 |
| Net cash provided by financing activities | 82,880 | 304,856 | 380,205 |
| Net change in cash and cash equivalents | 284,566 | 115,897 | (81,278) |
| Cash at the beginning of the year | 178,991 | 63,094 | 144,372 |
| Cash at the end of the year | $ 463,557 | $ 178,991 | $ 63,094 |
| Supplementary disclosures of cash flows | | | |
| Cash paid for interest | $ - | $ - | $ - |
| Non-cash financing and investing activities | | | |
| Property and equipment distributed to members | $ - | $ 397,912 | $ - |

The accompanying notes are an integral part of the financial statements.

*Certain amounts shown here do not correspond to the 2019 financial statements and reflect adjustments made. Refer to Note 1.

(1) Nature of Business and Summary of Significant Accounting Policies

*(a) Nature of Business*

Rush Bowls Franchising, LLC (the "Company") was formed on March 5, 2015 as a Colorado Limited Liability Company. The Company is engaged in the development of retail store franchises that operate under the Rush Bowls system.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

*(b) Accounting Standards Codification*

The Financial Accounting Standards Board ("FASB") has issued the FASB Accounting Standards Codification ("ASC") that became the single official source of authoritative U.S. generally accepted accounting principles ("GAAP"), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

*(c) Use of Estimates*

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

*(d) Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included within cash equivalents are deposits in-transit from banks for payments related to third-party credit card and debit card transactions. As of December 31, 2021, 2020, and 2019, the Company had cash and cash equivalents of $463,557, $178,991, and $63,094, respectively.

*(e) Accounts Receivable*

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales, royalty fees, marketing fees, and technology fees. These accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of outstanding amounts. Management regularly evaluates individual customer's receivables considering their financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. As of December 31, 2021, 2020, and 2019, the Company had no allowance for uncollectible accounts. As of December 31, 2021, 2020, and 2019, the Company had receivables of $0, $8,210, and $18,556, respectively.

*(f) Advertising Fund*

The Company's franchisees are required to contribute 2% of their monthly gross revenue to the national advertising fund. Advertising fees paid by the franchisees are held by the Company in a separate bank account and are recorded as a liability until the related advertising services have been performed. The Company's national advertising fund liability as of December 31, 2021, 2020, and 2019 was $81,959, $71,335, and $28,268, respectively.

*(g) Long-Lived Assets*

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the difference between the carrying amount of the asset and the fair value of the asset.

*(h) Revenue Recognition*

The Company's revenues consist of fees from franchised locations operated by conventional franchisees. Revenues from franchisees consist of initial franchise fees, royalties based on a percentage of gross revenues, and technology fees.

During the year ended December 31, 2020, the Company determined to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors-Revenue from Contracts with Customers* using the full retrospective method. This method requires the restatement of all periods presented upon adoption. As such, comparative information in the Company's financial statements has been restated to be reported under ASC 952-606. The following tables summarize the effect of adopting ASC 952-606 for the year ended December 31, 2019:

| | December 31, 2019 | | |
|---|---|---|---|
| | As Previously Reported | Adjustments | Restated |
| Deferred commissions – current | $ 30,810 | $ 183,396 | $ 214,206 |
| Deferred commissions – non-current | 609,450 | 631,497 | 1,240,947 |
| Deferred revenue – current | 48,717 | 290,833 | 339,550 |
| Deferred revenue – non-current | 986,508 | 1,130,876 | 2,117,384 |
| Initial franchise fee revenue | 774 | 528,816 | 529,590 |
| Commissions | - | 266,843 | 266,843 |
| Net income (loss) | (815,311) | 261,973 | (553,338) |
| Members' equity (deficit) | $ 46,757 | $ (606,816) | $ (560,059) |

ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluated all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue.

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price, which includes an initial fee and ongoing royalties, marketing fees, and technology fees, and the Company's performance obligations.

Upon evaluation of the five-step process, the Company has determined that this standard does not impact the recognition of royalties, marketing fees, and technology fees from locations operated by a franchisee, which are based on a percentage of gross revenue and recognized at the time the underlying sales occur. ASC 606 does have an effect on the process management uses to evaluate the recognition of the initial franchise fees.

In allocating the transaction price and recognizing the revenue associated with initial franchise fees, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors-Revenue from Contracts with Customers*. The practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation. These pre-opening services include the following:

- Assistance in the selection of a site.
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related

financing, architectural, and engineering services, and lease negotiation.
- Training of the franchisee's personnel or the franchisee.
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping.
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business.
- Inspection, testing, and other quality control programs.

The Company has determined that the fair value of pre-opening services exceeds the initial fees received; as such, the initial fees are allocated to the pre-opening services, which are recognized as revenue upon commencement of operations.

*(i) Income Taxes*

The entity is structured as a limited liability company (LLC) under the laws of the State of Colorado. A limited liability company is classified as a partnership for federal and state income tax purposes and, accordingly, the income or loss of the Company will be included in the income tax returns of the member. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under Accounting Standards Codification ("ASC") Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the member rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2021, the 2020, 2019, and 2018 tax years were subject to examination.

*(j) Recently Issued Accounting Pronouncements*

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which requires lessees to recognize assets and liabilities for leases with lease terms greater than twelve months in the statement of financial position. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. The update is effective for fiscal years beginning after December 15, 2021. The Company is in the process of evaluating the impact that this new guidance will have on its financial statements.

*(k) Advertising Costs*

The Company expenses advertising costs as incurred. Advertising expenses for the fiscal years ended December 31, 2021, 2020, and 2019 was $2,035, $23,224, and $275,896, respectively.

*(l) Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses, the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same.

*(m) Concentration of Risk*

The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

(2) Accrued Expenses

The Company's accrued liabilities consist of payroll taxes payable as of year-end. As of December 31, 2021, 2020 and 2019, the Company's accrued liabilities are $0, $0, and $10,240, respectively.

(3) Note Payable

On April 15, 2020, the Company entered into a note payable with a third-party financial institution as part of the Payroll Protection Program administered by the United States Small Business Administration ("SBA"). The loan had an initial principal balance of $88,700, accrued interest at an annual rate of 1%, and had a maturity date of April 15, 2022. During the year ended December 31, 2021, the Company obtained forgiveness of the entire note balance, which was recorded as other income.

On January 19, 2021, the Company entered into a note payable with a third party financial institution as part of the Payroll Protection Program administered by the SBA. The loan had an initial principal balance of $124,180, accrued interest at an annual rate of 1%, and had a maturity date of January 19, 2023. During the year ended December 31, 2021, the Company obtained forgiveness of the entire note balance, which was recorded as other income.

(4) Franchise Agreements

The Company's franchise agreements generally provide for a payment of initial fees as well as continuing royalties. Under the franchise agreement, franchisees are granted the right to operate a location using the Rush Bowls system for a period of ten years. Under the Company's revenue recognition policy, franchise fees and any corresponding commissions are recognized when the franchisee begins operations. For any franchisees that have not yet begun operations as of year-end, the Company defers both the revenues and commissions. All locations that are expected to begin operations within the following year are categorized as current, while all others are classified as non-current.

The Company has estimated the following current and non-current portions of deferred contract costs as of December 31, 2021, 2020, and 2019:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Deferred commissions, current | $ 101,728 | $ 72,188 | $ 214,206 |
| Deferred commissions, non-current | 1,262,835 | 1,236,376 | 1,240,947 |
| | $ 1,364,563 | $ 1,308,564 | $ 1,455,153 |

The Company has estimated the following current and non-current portions of deferred revenue as of December 31, 2021, 2020, and 2019:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Deferred revenue, current | $ 207,834 | $ 149,134 | $ 339,550 |
| Deferred revenue, non-current | 2,258,233 | 2,088,967 | 2,117,384 |
| | $ 2,466,067 | $ 2,238,101 | $ 2,456,934 |

(5) Commitments and Contingencies

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is "probable" and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is "probable" but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is "reasonably possible," disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are "remote" are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

On March 11, 2020, the World Health Organization classified the outbreak of a new strain of the coronavirus ("COVID-19") as a pandemic. The COVID-19 outbreak in the United States began in mid-March 2020 and has continued through 2021 and subsequent to the fiscal year end. It is continuing to disrupt supply chains and affect production and sales across a range of industries. Management believes the pandemic has had a material effect on the Company's operations, reducing revenue from both new and existing franchisees. The extent of the impact of COVID-19 on the Company's future operational and financial performance continues to evolve and will depend on certain ongoing developments, including the duration and spread of the outbreak, impact on the Company's customers and vendors all of which are uncertain and cannot be reasonably estimated. At this point, the full extent to which COVID-19 may impact the Company's future financial condition or results of operations is uncertain.

(6) Subsequent Events

**Management has reviewed and evaluated subsequent events through March 7, 2022, which is the date the financial statements were issued.**

**EXHIBIT C**

**FRANCHISE AGREEMENT**

**EXHIBIT C**

**RUSH BOWLS FRANCHISING, LLC**

**FRANCHISE AGREEMENT**

**Franchise #:** _____

**Franchisee:** _____

**Date:** _____

**Location:** _____

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ATTACHMENTS:

Attachment 1 Data Sheet
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Attachment 3 Statement of Ownership

**RUSH BOWLS FRANCHISING, LLC**
**FRANCHISE AGREEMENT**

This RUSH BOWLS FRANCHISING, LLC FRANCHISE AGREEMENT (the "Agreement") is made, entered into, and effective as of the date set forth in Attachment 1 to the Agreement (the "Effective Date"), by and between RUSH BOWLS FRANCHISING, LLC, a Colorado limited liability company ("Franchisor"), and the franchisee set forth in Attachment 1 to the Agreement ("Franchisee"). If more than one person or entity is listed as Franchisee, each such person or entity will be jointly and severally liable for all rights, duties, restrictions, and obligations under the Agreement.

## INTRODUCTION

A. Franchisor has developed a distinctive business system using proprietary methodology and intellectual property (the "System") for operating and franchising restaurants (each, a "Restaurant") that offer wholesome, all-natural high-quality bowls and smoothies made from acai, fruit, organic granola, and other ingredients.

B. Franchisor may license the use of the trademark "Rush Bowls" and other trademarks, trade names, service marks, logos, commercial symbols, phrases, slogans, and taglines designated by Franchisor in writing now owned, licensed to, or developed by Franchisor (collectively, the "Marks") for use in connection with the System to selected persons, businesses, or entities that comply with Franchisor's uniform requirements and quality standards.

C. Franchisor will continue to develop, use, and control the use of the Marks to identify to the public the source of the products and services and related services marketed under the System, and to represent to the public the System's high standards of quality, appearance, cleanliness, and service.

D. Franchisee desires to develop, own, and operate a Restaurant in conformity with the System and Franchisor's uniformity requirements and quality standards as established and promulgated from time to time by Franchisor.

E. Franchisee understands and acknowledges the importance of the high standards of quality, appearance, procedures, controls, cleanliness, and service established by Franchisor, and the necessity of operating Franchisee's Restaurant in strict conformity with the standards and specifications established by Franchisor.

Pursuant to this Introduction and in consideration of the mutual promises and covenants set forth in the Agreement, Franchisor and Franchisee agree and contract as follows:

## 1. GRANT OF FRANCHISE

1.1. Franchised Location. Franchisor grants to Franchisee the personal right to operate one Restaurant in conformity with the System using the name "Rush Bowls" and other specified Marks only at the location identified in Attachment 1 (the "Franchised Location").

1.2. Protected Area. Except as provided to the contrary in this Section 1.2, Franchisee will receive a protected geographic area in which to operate as described in Attachment 1-1 (the "Protected Area"). Franchisee's Restaurant will have no territorial rights except as described in this Section 1.2. During the term of the Agreement, Franchisor will not establish or franchise others to establish another Restaurant within the Protected Area. Franchisor and Affiliates (defined below) may operate and license others to

operate Restaurants at any location outside of the Protected Area. Franchisee may provide catering and delivery services in accordance with Section 10.6 provided Franchisee does not do so in the protected geographic area of any other franchisee.

Notwithstanding the foregoing, Franchisor retains the right, for itself and Affiliates, on any terms Franchisor deems advisable, and without granting Franchisee any rights, to:

(a) Own, franchise, acquire, operate, or license to others to operate Restaurants at any location outside of the Protected Area regardless of the proximity to Franchisee's Restaurant;

(b) Develop other business concepts under other brand names, provided such concepts are not Competitive Businesses (defined below), even if the locations for the concepts are within the Protected Area and even if these businesses are in competition with Franchisee;

(c) Use the Marks and the System to sell any products or services similar to those which Franchisee will sell through any alternate channels of distribution within or outside of the Protected Area including, without limitation, television, catalog sales, wholesale to unrelated retail outlets, or over the Internet even if these channels of distribution are in competition with Franchisee. Franchisor exclusively reserves the Internet as a channel of distribution for Franchisor. Franchisee may not independently market on the Internet or conduct e-commerce;

(d) Offer and sell food products including, without limitation, frozen products and proprietary food products under the Marks or any other marks through grocery stores, convenience stores, hotel shops, kiosks, theaters, malls, airports, gas stations, college campuses, military facilities, sports venues, theme or entertainment parks, casinos, or other similar retail locations within or outside of the Protected Area;

(e) Use and license the use of other proprietary and non-proprietary marks or methods that are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a business offering wholesome, all-natural food bowls and related products and services at any location including, without limitation, within the Protected Area;

(f) Engage in any transaction including, without limitation, purchasing or being purchased by, merging or combining with, converting to the System or being converted into a new system with any business including, without limitation, a business that competes directly with Franchisee's Restaurant, whether located inside or outside of the Protected Area; provided, however, that in such situations the newly acquired businesses may not operate under the Marks in the Protected Area;

(g) Use and license the use of technology to non-franchised locations inside and outside the Protected Area; and

(h) Implement multi-area marketing programs that may allow Franchisor or others to solicit or sell to customers anywhere. Franchisor may issue mandatory policies to coordinate such multi-area marketing programs.

1.3. Undetermined Franchised Location. If the Franchised Location has not yet been determined as of the Effective Date, then when the address of the Franchised Location is determined, the street address, city, and state for the Franchised Location will be inserted in Attachment 1 to the Agreement and signed by both Franchisor and Franchisee.

1.4. Territory Revision and Franchised Location Relocation. Franchisee may not amend the Protected Area (a "Territory Revision") without Franchisor's express written consent which Franchisor may give in Franchisor's sole discretion. Franchisor may condition its approval of a Territory Revision upon any conditions that Franchisor deems reasonable. Provided Franchisee is not in default of the Agreement, if Franchisee requests and Franchisor approves of a Territory Revision within 90 days of the Effective Date, Franchisee will pay Franchisor a Territory Revision fee of up to $1,000. Upon obtaining Franchisor's express written consent, Franchisor may relocate the Franchised Location at Franchisee's sole expense if:

(a) The proposed new location is in Franchisee's Protected Area;

(b) The proposed new location meets Franchisor's requirements as set forth in the Agreement; and

(c) Franchisee's new Protected Area does not infringe upon: (i) the market area of any existing or proposed Restaurant or any other Restaurant owned or operated by Franchisor or any Affiliates; or (ii) any protected area granted to any other franchisee, master franchisee, developer, area developer, or subfranchisee.

The new location of Franchisee's Restaurant will comply with Franchisor's then-current image, décor, standards, and specifications. Franchisee will pay Franchisor a nonrefundable $1,000 deposit upon requesting Franchisor's review of a relocation site and the balance of costs incurred by Franchisor in connection with the review on the date Franchisor approves Franchisee's request for relocation. If Franchisor permits Franchisee to relocate Franchisee's Restaurant, Franchisee will pay Franchisor a $4,000 relocation fee (less the deposit paid and in addition to any review costs) prior to relocation of the Restaurant.

1.5. Conditions. Franchisee may not franchise, subfranchise, license, or sublicense Franchisee's rights under the Agreement. Franchisee will not transfer the Agreement or Franchisee's rights under the Agreement except as specifically provided for in the Agreement.

## 2. TERM OF AGREEMENT

2.1. Term. The first term of the Agreement (the "Initial Term") commences on the Effective Date and continues until ten years after the earlier of: (i) the Required Opening Date; or (ii) the date Franchisee's Restaurant is first open and operating. Notwithstanding the foregoing, if the Lease (defined below) for the Franchised Location is effective after the Effective Date, then the Initial Term of the Agreement will be coterminous with the term of the Lease, but will not in any event exceed ten years from the effective date of the Lease.

2.2. Franchisee's Option to Renew Franchise for Successor Term. At the end of the Initial Term, Franchisee may renew the Franchise (defined below) for three successor terms of five years each (each, a "Successor Term"), as Franchisor is then offering to new franchisees; provided, however, that at the time of each such renewal, Franchisee has timely complied with all terms and conditions of the Agreement including, without limitation, the timely payment of all Royalties (defined below), Brand Fund Contributions (defined below), and any other amounts due under the Agreement and further provided that:

(a) Franchisee has given Franchisor written notice of its request for an extension of the Franchise at least 180 days, but no more than one year, prior to the end of the Initial Term or then-current Successor Term;

(b) All monetary obligations owed by Franchisee to Franchisor have been paid or satisfied prior to the end of the Initial Term or then-current Successor Term, Franchisee is not in default under the Agreement, Franchisee has not been in default under the Agreement more than two times in any twelve-month period or more than six times during the Initial Term or then-current Successor Term, and no default by Franchisee has remained uncured for longer than 60 days;

(c) Franchisee either owns or has the right to lease the Franchised Location for at least five years;

(d) Franchisee and its Management Staff (defined below) have completed the required training designated by Franchisor;

(e) Franchisee executes Franchisor's then-current standard franchise agreement and ancillary documents (collectively, the "Successor Franchise Agreement") which may have terms materially different than those in the previous franchise agreement signed by Franchisee including, without limitation, higher royalty payments and advertising contributions and a modified or reduced Protected Area based on Franchisor's then-current standards;

(f) Franchisee agrees in writing to make reasonable capital expenditures necessary to Remodel (defined below) the Franchised Location to comply with the then-current image, décor, and specifications applicable to new Restaurants within six months after the date of the Successor Franchise Agreement and has evidenced that Franchisee has received a written loan commitment from a commercial lender for the amount of the estimated cost of the Remodel or is financially capable of making such expenditures to Franchisor's reasonable satisfaction. Franchisor will not require that the cost of the Remodel exceed $50,000 including Franchisee's costs of any Remodel of the Franchised Location by Franchisee under Section 9.18 that is completed within two years of the end of the Initial Term; and

(g) On or before the date Franchisee executes the Successor Franchise Agreement, Franchisee will pay Franchisor a $2,500 renewal fee.

2.3. Interim Term. If Franchisee does not sign a Successor Franchise Agreement after the expiration of the Initial Term or then-current Successor Term and continues to accept the benefits of the Agreement, then the Agreement may be treated at Franchisor's option either as: (i) expired as of the date of the expiration with Franchisee then operating without a franchise agreement to do so in violation of Franchisor's rights; or (ii) continued on a month-to-month basis (an "Interim Term") until either party provides the other party with 30 days' prior written notice of the party's intention to terminate the Interim Term. In the latter case, all of Franchisee's obligations will remain in full force and effect during the Interim Term as if the Agreement had not expired and all obligations and restrictions imposed on Franchisee upon the expiration or termination of the Agreement will be deemed to take effect upon termination of the Interim Term.

## 3. FEES

3.1. Initial Franchise Fee. Franchisee will pay Franchisor a $39,000 initial franchise fee (the "Initial Franchise Fee") on the date Franchisee signs the Agreement. The Initial Franchise Fee will be reduced to $35,100 if Franchisee or Franchisee's spouse is an honorably discharged United States veteran. The Initial Franchise Fee is fully earned upon execution of the Agreement by Franchisee and nonrefundable for any reason. The Initial Franchise Fee is payment for all of the pre-opening assistance that Franchisor provides and offsets some of Franchisor's franchisee recruitment expenses. If Franchisee: (i) has entered into an Area Development Agreement (defined below) with Franchisor; (ii) paid any development fee due

thereunder; and (iii) the Agreement is being signed pursuant to the development schedule under such Area Development Agreement, then no Initial Franchise Fee is due.

3.2. Royalty. Franchisee will pay to Franchisor a continuing royalty fee (the "Royalty") equal to 6% of the Gross Sales generated by Franchisee's Restaurant during the preceding Week (defined below). The Royalty is an ongoing payment for Franchisee's use of the Marks and other intellectual property of the System and Franchisor's ongoing support and assistance. The Royalty will be payable by Franchisee on Friday of each Week (or such other day of the Week or time increment as may be designated by Franchisor) based upon the Gross Sales (defined below) generated in the preceding Week. The Royalty will be paid by Franchisee by EFT as provided for in Section 6.2.

3.3. Payment Service Fee. Franchisor may charge a service charge of up to 4% of the total charge if Franchisee makes payment to Franchisor or an Affiliate by credit card for any fee required.

3.4. Technology Fee. Franchisor may require Franchisee to pay Franchisor a monthly $100 technology fee (the "Technology Fee") for website hosting by Franchisor, central telephone services, future web-based System integration, and other technology related services for each Restaurant Franchisee owns upon 30 days' written notice. Franchisor may periodically increase the Technology Fee by up to $200 per month for each Restaurant Franchisee owns upon at least 30 days' written notice if Franchisor offers updated or additional software or technology. If assessed by Franchisor, the Technology Fee will be payable concurrently with the Royalty.

3.5 Non-Compliance Fee. If Franchisee receives notice that Franchisor is failing to (i): follow the System standards; (ii) comply with the provisions of the Agreement; or (iii) follow the provisions of the Franchise Operations Manual, Franchisee will pay to Franchisor a $300 non-compliance fee per day per incident. This fee is in addition to any other rights Franchisor has under the Agreement including, without limitation, termination and is intended to offset the damages that Franchisor incurs from Franchisee's default. This fee is not a penalty.

## 4. BRAND FUND

Franchisor has established a system-wide brand fund for Franchisor's use to promote and build the Rush Bowls brand (the "Brand Fund"). Franchisee will contribute 2% of its Gross Sales each Week to the Brand Fund (the "Brand Fund Contribution"). The Brand Fund Contribution is due at the same time and in the same manner as the Royalty. Franchisor may periodically increase the Brand Fund Contribution up to a maximum of 3% of Gross Sales upon at least 90 days' written notice. The Brand Fund will be administered by Franchisor, Affiliates, or Franchisor's designees in Franchisor's sole discretion. Franchisor has the absolute and unilateral right to determine when, how, and where Brand Fund Contributions and other payments deposited into the Brand Fund are spent. Rush Bowls businesses owned by Franchisor or Affiliates, former Affiliates, owners, and former owners are not obligated to contribute to the Brand Fund but may do so on a voluntary basis. Franchisor may use the Brand Fund for local, regional, or national marketing, advertising, sales promotion and promotional materials, public and consumer relations, website development and search engine optimization, the development of technology for the System, and any other purpose to promote the Marks. Franchisor may use any media for disseminating Brand Fund advertisements including, without limitation, direct mail, print ads, the Internet, radio, billboards, and television. Franchisor may reimburse itself and its authorized representatives or Affiliates from the Brand Fund for administrative and overhead costs, independent audits, reasonable accounting costs, bookkeeping expenses, salaries related to the administration and operation of the Brand Fund, reporting and legal expenses, taxes, and all other direct or indirect expenses associated with programs funded by the Brand Fund. Franchisor is not obligated to spend any amount on advertising in the

geographical area where Franchisee is or will be located. Franchisor will not use the Brand Fund contributions for advertising that is principally a solicitation for the sale of franchises, but Franchisor may include a notation in any advertisement or website indicating "Franchises Available" (or similar phrasing). Franchisor assumes no fiduciary duty to any franchisee, master franchisee, developer, area developer, or subfranchisee. Franchisor assumes no direct or indirect liability or obligation to collect amounts due to the Brand Fund or maintain, direct, or administer the Brand Fund. Any unused funds collected in any calendar year will be applied to the following year's funds. Franchisor may contribute or loan additional funds to the Brand Fund on any terms Franchisor deems reasonable. Franchisor may terminate or reinstate the Brand Fund in Franchisor's sole discretion. If Franchisor terminates the Brand Fund, Franchisor will distribute all unused contributions to contributing franchisees and Franchisor or Affiliates in proportion to respective contributions during the preceding 24-month period.

## 5. OTHER MARKETING, ADVERTISING, AND PROMOTION

5.1. Approved Marketing and Advertising. Franchisee will only order sales and marketing material from Franchisor or Approved Suppliers (defined below). It is a material breach of the Agreement to use other marketing material without obtaining Franchisor's prior written approval. If Franchisee desires to use its own advertising materials including, without limitation, Franchisee's own website or social media account, Franchisee will obtain Franchisor's prior approval which may be granted or denied in Franchisor's sole discretion. Franchisor will review Franchisee's request and respond in writing within 30 days from the date Franchisor receives all requested information. Franchisor's failure to notify Franchisee in the specified time frame will be deemed a disapproval of Franchisee's request. Use of Franchisor's logos, Marks, and other identification materials will meet Franchisor's approved standards. Franchisee may not use Franchisor's logos, Marks, and other identification materials on items to be sold or services to be provided without Franchisor's prior written approval. If Franchisee uses unauthorized advertising materials, Franchisee will pay a $500 fee per occurrence to Franchisor or the Brand Fund in Franchisor's sole discretion. Franchisor may establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions as permitted by law. Franchisee may not develop, maintain, or authorize any website, social media account, crowdfunding campaign, or blog that mentions or describes Franchisee or Franchisee's Restaurant or displays any of the Marks without Franchisor's prior written approval. If Franchisor approves of Franchisee's use of a website, social media account, or other account, Franchisor may require Franchisee to obtain Franchisor's written approval of any content as initially exists or is updated or modified. Franchisor may review and remove all online content on social media sites, blogs, in electronic communications, and on other online sites upon which the Marks are used to protect the reputation and high quality associated with the Marks and maintain consistency within the System.

5.2. Local Advertising. Franchisee will spend at least 2% of Franchisee's Gross Sales each calendar quarter on approved local marketing and advertising as specified in the Franchise Operations Manual for Franchisee's Restaurant (the "Local Advertising Requirement") in addition to payment of the Brand Fund Contributions. Franchisee will furnish Franchisor with an accurate accounting of Franchisee's expenditures for local advertising payments each Accounting Period (defined below). If Franchisee fails to meet the minimum Local Advertising Requirement, Franchisee will pay Franchisor the difference between what Franchisee should have spent and what Franchisee actually spent, which amount will be deposited in the Brand Fund. Franchisee will issue and offer such rebates, giveaways, and other promotions in accordance with advertising programs established by Franchisor and honor the rebates, giveaways, and other promotions issued by other franchisees under any such program at Franchisee's sole cost and expense as long as such compliance does not contravene any applicable law, rule, or regulation. Franchisee will not create or issue any gift cards or gift certificates and will only sell gift cards and gift certificates that have

been issued or sponsored by Franchisor for use at all Restaurants. Franchisee will not issue coupons or discounts of any type except as approved by Franchisor.

5.3. Local Advertising Cooperative. Franchisee may be required to participate in any local or regional advertising cooperatives established for Restaurants. The area of each local and regional advertising cooperative will be defined by Franchisor based on Franchisor's assessment of the area. Franchisees in each advertising cooperative will contribute an amount to the advertising cooperative not to exceed 4% of Gross Sales for each Restaurant that the franchisee owns within the advertising cooperative's area. Each Restaurant Franchisor owns that exists within the advertising cooperative's area will contribute to the advertising cooperative on the same basis as franchisees. Members of the advertising cooperative will be responsible for administering the advertising cooperative including, without limitation, determining the amount of contributions from each member. Franchisor may require that each advertising cooperative operate with approved governing documents and prepare annual unaudited financial statements. Franchisor may form, change, dissolve, or merge any advertising cooperative. If Franchisor elects to form an advertising cooperative or if an advertising cooperative already exists near Franchisee's Protected Area, Franchisee will participate in compliance with the provisions of the Franchise Operations Manual or as otherwise directed by Franchisor in Franchisor's sole discretion. Any contributions that Franchise makes to an advertising cooperative will be applied towards the Local Advertising Requirement.

5.4. Grand Opening Marketing. Franchisee will spend between $3,000 and $6,500 on approved grand opening marketing, advertising, and promotion for Franchisee's Restaurant during the period commencing 30 days prior to the opening of Franchisee's Restaurant for business and ending 90 days after the date on which Franchisee's Restaurant opens for business. Franchisee will provide Franchisor with an accurate accounting in the form prescribed by Franchisor of Franchisee's expenditures for grand opening marketing, advertising, and promotion within 120 days after the opening of Franchisee's Restaurant. All expenditures for grand opening marketing, advertising, and promotion will be in addition to Franchisee's other marketing, advertising, and promotion obligations under the Agreement.

5.5. Advisory Council. Franchisor may establish an advisory council (the "Council") to advise Franchisor on advertising policies, provide input regarding the Brand Fund, and promote communications between Franchisor and all franchisees. If the Council is formed, Franchisor may appoint any franchisee to the Council in Franchisor's sole discretion. Franchisor may grant the Council any operation or decision-making powers that Franchisor deems appropriate. Franchisor may form, change, or dissolve the Council in Franchisor's sole discretion.

## 6. PAYMENT OF FEES

6.1. Interest on Unpaid Fees. If Franchisee fails to timely remit any of payment due to Franchisor or Affiliates, the amount of the past-due payment will bear interest at the lesser of: (i) the daily equivalent of 12% per year simple interest; or (ii) the maximum legal rate permitted by law. Interest accrues from the original due date until payment is received in full. Franchisee will also pay Franchisor a $200 administrative fee per occurrence for each delinquent payment of any amount within seven days after the delinquent payment was due. Franchisee will immediately reimburse Franchisor for the actual costs incurred by Franchisor in the collection of any past due amounts from Franchisee including, without limitation, attorneys' fees and costs.

6.2. Electronic Funds Transfers. Franchisee will execute such documents as Franchisor may request including, without limitation, the Automated Clearing House Payment Authorization Form attached to Franchisor's Franchise Disclosure Document as Exhibit H authorizing and directing Franchisee's financial institution to pay Franchisor or Affiliates directly by electronic funds transfer ("EFT") any amounts due to

Franchisor under the Agreement and charge Franchisee's account. If Franchisee fails to provide required reports of Franchisee's Gross Sales at any time, Franchisor may estimate the amount payable by Franchisee for that Week and withdraw the estimated amount by EFT from Franchisee's account in accordance with the provisions of this Section 6.2. Franchisee will maintain a balance in Franchisee's account at all times sufficient to allow the appropriate amounts to be withdrawn from Franchisee's account and paid directly to Franchisor. It will be a default under the Agreement if Franchisee fails to maintain an account balance sufficient to pay any amounts due or Franchisee closes Franchisee's account without first designating a new account for EFT and providing Franchisor with the new account's information. Franchisee will be responsible for all fees imposed by its financial institution in connection with Franchisee's EFT payments. Franchisee will pay Franchisor $100 per occurrence if any check or electronic payment is not successful due to insufficient funds, stop payment instructions, or any similar event. Franchisor may require an alternative payment method or payment frequency for any amounts owed to Franchisor or Affiliates in Franchisor's sole discretion.

6.3. Franchisee's Obligation to Pay. Franchisee's obligation to pay Franchisor all amounts due under the Agreement is absolute and unconditional and will remain in full force and effect for the entire term of the Agreement. Franchisee has no "right of offset" and will timely pay all amounts due to Franchisor regardless of any alleged Claims (defined below).

## 7. REPORTS AND FINANCIAL STATEMENTS

7.1. Reports. Franchisee will maintain an accurate durable electronic or written record of the daily Gross Sales for Franchisee's Restaurant and any other information specified by Franchisor. Franchisee will electronically submit Weekly reports for Franchisee's Restaurant using the forms, formats, and procedures set forth in the Franchise Operations Manual. Franchisee will pay $100 per occurrence and $100 per Week to the Brand Fund or Franchisor if Franchisee fails to submit any report when due in Franchisor's sole discretion. Franchisee will continue to incur these fees until Franchisee submits the required report.

7.2. Financial Statements. Franchisee will adopt the Accounting Year (defined below) for financial reporting purposes specified by Franchisor in the Franchise Operations Manual or otherwise in writing. Franchisee will prepare Financial Statements (defined below) that will be delivered to Franchisor within ten days of the end of each Accounting Period and within 90 days of Franchisee's Accounting Year-end at Franchisee's expense. All Financial Statements will be prepared in accordance with generally accepted accounting principles in the form prescribed by Franchisor and conform to the Accounting Year and standard chart of accounts prescribed by Franchisor in the Agreement or the Franchise Operations Manual. An officer or Owner (defined below) of Franchisee will verify the Financial Statements' accuracy and completeness.

7.3. Income Tax Returns. Franchisee will furnish Franchisor with signed copies of all pages of its federal income tax returns pertaining to Franchisee's Restaurant for the Accounting Year within 120 days after Franchisee's Accounting Year-end or any other period requested by Franchisor. Franchisor will maintain the confidentiality of the information provided by Franchisee under this Section 7.3.

7.4. Audit Rights. Franchisee and Franchisee's accountants will make all of Franchisee's Financial Records (defined below) available during regular business hours for Franchisor or Franchisor's designees to review, copy, and audit within three business days after receiving Franchisor's written notice. The Financial Records for each Accounting Year will be maintained by Franchisee in a safe place for each of the preceding three Accounting Years. The audit will be conducted at the location where Franchisee maintains the Financial Records and Franchisor will be provided with adequate facilities by Franchisee to conduct the audit. If an audit establishes that Franchisee's weekly Gross Sales were understated by more

than 2% or Franchisee failed to submit required reports in any Accounting Period or Accounting Year, then Franchisee will pay Franchisor for the cost of the audit and inspection, any understated amounts, and all accounting, legal, and other costs and expenses incurred in connection with the audit including, without limitation, Salaries and Benefits (defined below), Travel Expenses (defined below), and auditor's fees within ten days of Franchisee's receipt of an invoice.

## 8. DESIGNATED MANAGER AND OPERATING PRINCIPAL

Franchisee will directly operate Franchisee's Restaurant or designate a manager (the "Designated Manager") who has been approved by Franchisor. The Designated Manager must successfully complete the Training Program (defined below). Franchisor does not require that the Designated Manager have an ownership interest in Franchisee if Franchisee is an Entity (defined below). If Franchisee replaces a Designated Manager, the new Designated Manager must satisfactorily complete the Training Program at Franchisee's expense prior to assuming responsibility for the management of Franchisee's Restaurant. If Franchisee is an Entity, Franchisee will designate an "Operating Principal" acceptable to Franchisor who will be principally responsible for communicating with Franchisor about Franchisee's Restaurant and have the authority and responsibility for the day-to-day operations of Franchisee's Restaurant. The Operating Principal need not have an ownership interest in Franchisee's Entity.

## 9. STANDARDS REQUIRED OF FRANCHISEE

9.1. Quality and Service Standards. Franchisor has developed and will continue to develop uniform standards of quality, cleanliness, and service applicable to all Restaurants including Franchisee's Restaurant to protect and maintain for the benefit of Franchisor and all franchisees and developers the distinction, valuable goodwill, and uniformity of the System. Franchisee will maintain the uniformity and quality standards required by Franchisor for all Products and Services (defined below) and the services associated with the Marks and the System to assure the public that all Restaurants will be uniform in nature and offer quality Products and Services.

9.2. Identification of Restaurant. Franchisee will operate Franchisee's Restaurant so that it is clearly identified and advertised as a Restaurant. The style and form of "Rush Bowls" and any other Marks used in any advertising, marketing, public relations, or promotional program will have Franchisor's prior written approval. Franchisee will use the name "Rush Bowls," the approved logos, and all graphics commonly associated with the System and the Marks on all materials in the manner prescribed by Franchisor.

9.3. Compliance with Standards. Franchisee will use the Marks and the System in strict compliance with the moral and ethical standards, quality standards, health standards, operating procedures, specifications, requirements, and instructions required by Franchisor. Franchisee will operate Franchisee's Restaurant according to Franchisor's specifications including, without limitation, purchasing, leasing, or using all goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, and real estate related to establishing and operating Franchisee's Restaurant. Franchisee may be required to purchase items from: (i) Franchisor's designees; (ii) Approved Suppliers; or (iii) Franchisor or Affiliates. Franchisee will not deviate from Franchisor's methods, standards, and specifications without Franchisor's prior written consent or otherwise operate in any manner which reflects adversely on the Marks or the System in Franchisor's sole opinion.

9.4. Franchisee's Name. Franchisee will not use "Rush Bowls" or any name that is confusingly similar to any of the words used in any of the Marks in the name of any Entity formed by Franchisee or Franchisee's affiliates. Franchisee will hold itself out to the public at all times as an independent contractor operating Franchisee's Restaurant under the Agreement. Franchisee will file for a certificate of assumed name in the

manner required by applicable state law to notify the public that Franchisee is operating Franchisee's Restaurant as an independent contractor.

9.5. Interests of Franchisee. If Franchisee is an Entity, Franchisee will be dedicated solely to the operation of Franchisee's Restaurant and not hold any interest in, operate, or manage any other business of any kind without Franchisor's prior written approval. If Franchisee is an individual, Franchisee will not hold any interest in, operate, or manage any Competitive Business without Franchisor's prior written approval.

9.6. Default Notices, Significant Correspondence, and Crisis Management Events. Immediately upon Franchisee's receipt or delivery at the Franchised Location, Franchisee will deliver to Franchisor an exact copy of all:

(a) Notices of default received from the landlord of the Franchised Location or any mortgagee, trustee under any deed of trust, contract for deed holder, lessor, or any other similar party;

(b) Notifications or other correspondence relating to any legal proceeding for any Claim in excess of $10,000 relating in any way to Franchisee's Restaurant or the Franchised Location; and

(c) Inspection reports or any other notices, warnings or citations from any Governmental Authority (defined below) including, without limitation, any health, safety, taxing, and/or licensing authorities.

Franchisee will notify Franchisor in writing within five days of the commencement of any proceeding and/or of the issuance of any governmental order or action impacting Franchisee and/or the operation of Franchisee's Restaurant. Franchisee will provide Franchisor with a written summary of all written consumer and employee complaints including, without limitation, electronic complaints within ten days of the end of each Accounting Period in such method and format as Franchisor designates. Franchisee will provide all additional information requested by Franchisor relating to any of these matters. Franchisee will reimburse Franchisor for any reasonable costs Franchisor incurs responding to customer complaints if a customer of Franchisor's Restaurant contacts Franchisor with a complaint and Franchisor provides a gift card, refund, or other value to the customer.

"Crisis Management Event" means any event that occurs at or about Franchisee's Restaurant that causes or may cause harm or injury to customers or employees. Crisis Management Events include, without limitation, food contamination, food spoilage/poisoning, food tampering, contagious diseases, natural disasters, terrorist acts, shootings, or any other circumstances that may damage the System, the Marks, or the image or reputation of Franchisee's Restaurant, the System, or Franchisor. Franchisee will inform Franchisor by telephone and email upon the occurrence of a Crisis Management Event without delay. Franchisee will cooperate fully with Franchisor's response to any Crisis Management Event. If a Crisis Management Event occurs, Franchisor may establish emergency procedures that require Franchisee to temporarily close Franchisee's Restaurant to the public, in which event Franchisor will not be liable to Franchisee for any losses or costs including, without limitation, consequential damages and lost profits.

9.7. Catastrophes. If the Franchised Location is either partially or completely destroyed by fire or any catastrophe and the term of the Agreement and underlying Lease for the Franchised Location has a remaining term of at least five years, Franchisee will:

(a) Use the building insurance proceeds to repair or reconstruct the Franchised Location as set forth herein;

(b) Within 30 days thereafter, initiate the process to commence the repairs and reconstruction necessary to restore Franchisee's Restaurant to its original condition prior to such casualty; and

(c) Recommence Franchisee's Restaurant's business operations as soon as reasonably possible. If Franchisee's Restaurant cannot be restored to its original condition, Franchisee will relocate Franchisee's Restaurant as provided for in Section 1.4 except that Franchisee will not be required to pay a relocation fee.

The term of the Agreement will be extended for the period from the date Franchisee's Restaurant closed as a result of the casualty until the date Franchisee's Restaurant re-opens. Franchisee will relocate Franchisee's Restaurant as provided in Section 1.4 or repair or reconstruct the premises of Franchisee's Restaurant in conformance with the then-current standard décor specifications. Franchisee will re-open Franchisee's Restaurant or open the relocated Franchisee's Restaurant for business within 18 months of the date of such casualty.

9.8. Vending Machines, Gaming Machines, and Tickets. Franchisee will not permit any jukeboxes, electronic games, vending machines (including, without limitation, cigarette, chewing gum, or candy machines), ATMs, newspaper racks, entertainment devices, coin- or token-operated machines, gambling devices, or other similar concessions to be used on Franchisee's Restaurant's premises without Franchisor's prior written permission. Franchisee will not sell or allow employees to sell any tickets, subscriptions, chances, raffles, lottery tickets, or pull-tabs.

9.9. Compliance with Applicable Law. Franchisee will be responsible for the operation of Franchisee's Restaurant, and control, supervise, and manage all employees, agents, and independent contractors who work for or with Franchisee. Franchisor will not have any right, obligation, or responsibility to control, train, supervise, or manage Franchisee's employees, agents, or independent contractors. Franchisee will comply with all applicable federal, state, city, local, and municipal laws, statutes, ordinances, rules, and regulations pertaining to the construction or remodeling of the Franchised Location and/or the operation of Franchisee's Restaurant.

Franchisee will be solely and exclusively responsible for determining the licenses and permits required by law for Franchisee's Restaurant, obtaining and qualifying for all licenses and permits (including, without limitation, liquor licenses and food service permits), and compliance with all applicable laws by Franchisee's employees, Executive Management (defined below), agents, and independent contractors at Franchisee's expense. Franchisor makes no representations or assurances regarding what licenses, permits, authorizations, or otherwise are required for Franchisee's Restaurant.

9.10. Tax Laws. Franchisee will be responsible for and timely pay all federal, state, and local taxes imposed by law in connection with the operation of Franchisee's Restaurant. Franchisee will timely file all returns, notices, and other forms required to comply with all applicable tax laws. Franchisor will have no liability for any taxes that arise out of or result from Franchisee's Restaurant and Franchisee will indemnify Franchisor for any such taxes that may be assessed or levied against Franchisor which arise out of or result from Franchisee's Restaurant's operations. If any franchise or other tax which is based upon the revenues, receipts, sales, business activities, or operation of Franchisee's Restaurant is imposed upon Franchisor by any taxing authority, Franchisee will reimburse Franchisor for all such taxes paid by Franchisor within 15 days after receiving an invoice from Franchisor for such taxes.

9.11. Other Laws. Franchisee will comply and/or assist Franchisor in its compliance efforts with any laws, regulations, executive orders, or similar directives relating to anti-terrorist activities including,

without limitation, the U.S. Patriot Act, Executive Order 13224 and related U.S. Treasury and/or other regulations. In connection with such compliance efforts, Franchisee will not enter into any prohibited transactions and will properly perform any currency reporting and other activities relating to Franchisee's Restaurant as may be required by Franchisor or applicable law. Franchisee warrants that Franchisee is not listed in the Annex to Executive Order 13224 (http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html) and will not hire any person so listed or have any dealings with a person so listed. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such laws, orders, and/or regulations. Franchisee specifically acknowledges and agrees that Franchisee's indemnification responsibilities as described in Section 25 pertain to Franchisee's obligations hereunder.

9.12. Restaurant Hours; Personnel. Franchisee's Restaurant will be open during the hours specified in the Franchise Operations Manual. During business hours, Franchisee will have Management Staff on duty responsible for supervising the Restaurant's employees and operations. Franchisee will have a sufficient number of adequately trained and competent service, kitchen, and other personnel on duty to guarantee efficient service to customers of Franchisee's Restaurant. Franchisee will require Franchisee's employees to meet the appearance standards and wear the standard attire or uniforms described in the Franchise Operations Manual. Franchisee will be responsible for hiring, training, directing, scheduling, and supervising Franchisee's employees and independent contractors.

9.13. Inspection Rights. Franchisee will permit Franchisor or its representatives to enter, remain on, and inspect Franchisee's Restaurant without prior notice. Without limitation, Franchisor may:

(a) Interview Franchisee's employees and customers;

(b) Take photographs and videotapes of the interior and exterior of the Franchised Location;

(c) Examine and remove samples of the Products and Services and other products sold or used at Franchisee's Restaurant; and

(d) Evaluate the quality of the Products and Services and other services provided by Franchisee.

Franchisor may use any interviews, photographs, and videotapes of Franchisee's Restaurant for such purposes as Franchisor deems appropriate including, without limitation, in advertising, marketing, and promotional materials without any approval of or compensation to Franchisee.

9.14. Security Interest in Agreement. The Agreement and the Franchise granted to Franchisee may not be used by Franchisee as collateral or be the subject of a security interest, lien, levy, attachment, or execution by Franchisee's creditors, any financial institution, or any other party except with the prior written approval of Franchisor.

9.15. Credit Cards. Franchisee will use any credit card vendors and accept all credit and debit cards, other payment systems, and check verification services and compliance programs and systems relating to the same as Franchisor directs. The term "credit card vendors" includes, without limitation, companies that provide services for electronic payment such as near field communication vendors including "Apple Pay" and "Google Wallet." To the extent Franchisee will access or possess cardholder data in connection with the sale of the Products and Services provided under the Agreement, Franchisee will maintain the security of cardholder data and adhere to the then-current Payment Card Industry Data Security Standards ("PCI DSS") currently found at www.pcisecuritystandards.org for the protection of cardholder data or to any other standard that Franchisor specifies. Franchisee is responsible for the security of

cardholder data in the possession or control of any subcontractors Franchisee engages to perform under the Agreement. Franchisee will provide appropriate documentation to Franchisor to demonstrate compliance with applicable PCI DSS standards or other requirements by Franchisee and all identified subcontractors upon Franchisor's request.

9.16. Gift Cards and Guest Loyalty Programs. Franchisee will not create or issue any gift certificates or gift cards and only sell gift certificates or gift cards that have been issued by Franchisor that are accepted at all Restaurants. Franchisee will participate in all gift certificate and gift card administration programs as Franchisor designates. Franchisee will honor all coupons, gift certificates, gift cards, and other programs or promotions as directed by Franchisor. Franchisee will fully participate in all guest loyalty or frequent customer programs Franchisor designates. Franchisee will not issue coupons or discounts of any type for use at Franchisee's Restaurant except as approved by Franchisor in writing, which approval Franchisor may grant or deny in Franchisor's sole discretion.

9.17. Maintenance. At Franchisee's expense, Franchisee will maintain Franchisee's Restaurant in a clean and sanitary condition consistent with Franchisor's then-current operating standards and replace all décor items and FF&E (defined below) as they become worn out, soiled, or in disrepair. All food preparation, mechanical, service, and other equipment will be kept in good working order and repair by Franchisee. All replacement FF&E and décor items used in Franchisee's Restaurant will comply with the standards and specifications in the Franchise Operations Manual.

9.18. Remodeling of Restaurant Premises. Franchisee will make such reasonable capital expenditures as necessary to extensively remodel, modernize, redecorate, and renovate Franchisee's Restaurant and replace and modernize the FF&E so that Franchisee's Restaurant will reflect the then-current image of a Restaurant and conform to Franchisor's then-current specifications (a "Remodel"). Franchisee acknowledges that the Remodel requirements set forth in this Section 9.18 are reasonable and necessary to maintain uniformity among all Restaurants, update the image of Restaurants, and avoid the deterioration of the appearance and operation of Franchisee's Restaurant. Franchisee will complete a Remodel within nine months after receiving written notice from Franchisor specifying the required Remodel. Except for repairs and maintenance as provided for in Section 9.17, Franchisee will not be required to remodel the Restaurant or replace and modernize its FF&E more than once every five years from the Effective Date. Franchisee will not be required to spend more than $50,000 for each Remodel.

9.19. Required Opening Date. Franchisee must open the Restaurant for business and commence operations on or before twelve months from the Effective Date.

9.20. Other Operations. Franchisee will use the Franchised Location solely for the operation of Franchisee's Restaurant and will not directly or indirectly operate or engage in any other business or activity from the Franchised Location. Franchisee will not participate in any dual branding program or any other program, promotion, or business pursuant to which another trademark, service mark, trade name, or commercial symbol is used in connection with Franchisee's Restaurant or at the Franchised Location.

9.21. Annual Conventions. Franchisee (or any Operating Principal, if the Franchisee is an Entity), Franchisee's Designated Manager, and such other persons as may be required by Franchisor will attend any annual conventions, meetings, seminars, and other gatherings or group sessions (each, a "Convention") held by Franchisor. Franchisor may determine the topics covered, duration, date, and location of all Convention. Franchisee will pay the then-current attendance fee established by Franchisor for each person attending a Convention (the "Convention Fee") and the Travel Expenses and all other expenses incurred by the persons attending the Convention on Franchisee's behalf. The Convention Fee is payable to Franchisor

to help defray the cost of attendance at any Convention that Franchisor holds and is due regardless of whether or not Franchisee attends the Convention.

9.22. Quality Assurance Programs. Franchisee will participate in any quality assurance monitoring programs specified by Franchisor at Franchisee's expense including, without limitation, telephonic or electronic customer polling or onsite "secret shopper" programs and will share the results of such programs with Franchisor.

9.23. Disclosure. Franchisor may disclose in its Franchise Disclosure Document as required by law, and in other documents and places as determined by Franchisor, any information relating to Franchisee's Restaurant including, without limitation, Franchisee's name, address, telephone numbers, revenues, expenses, results of operations, or other information. Any disclosure by Franchisor will be for reasonable business purposes. Franchisor's rights under this Section 9.23 will survive the Transfer, termination, or expiration of the Agreement.

9.24. Music and Music Selection. Franchisee will play only the music and music selections that have been approved by Franchisor as set forth in the Franchise Operations Manual or otherwise in writing. Franchisee will install the equipment necessary to receive and play the approved music.

9.25. Force Majeure. Neither Franchisor nor Franchisee will be liable for any delay in the fulfilment of or failure to fulfil their obligations in whole or in part (other than the payment of money as may be owed by a party) under the Agreement where the delay or failure is solely due to Force Majeure. If a Force Majeure event occurs, the parties' obligations will be extended or relieved only to the extent the parties are respectively necessarily prevented or delayed in such performance during the period of such Force Majeure event. Force Majeure will be construed narrowly and will not include general economic, market, or societal conditions, or any changes thereto including those that are the direct or indirect result of a Force Majeure event. The party whose performance is affected by a Force Majeure event will give prompt notice of such Force Majeure event to the other party, which in no case will be more than 48 hours after the Force Majeure event, setting forth the nature thereof and an estimate as to the Force Majeure event's duration, and the affected party will furnish the other party with periodic reports regarding the progress of the Force Majeure event. Each party will use its best efforts to mitigate the effect of the Force Majeure event upon their performance of the Agreement and fulfill its obligations under the Agreement. Upon completion of the Force Majeure event, the affected party will recommence the performance of its obligations under the Agreement as soon as reasonably practicable. If the Force Majeure event continues for a period of six months or more, the unaffected party may terminate the Agreement upon 30 days' written notice to the affected party at the unaffected party's option. A Force Majeure event will not relieve a party from liability for an obligation that arose before the occurrence of the Force Majeure event, affect any obligation to pay money owed under the Agreement, or affect Franchisee's obligations to indemnify Franchisor whether such obligation arose before or after the Force Majeure event. A Force Majeure event will not affect Franchisee's obligations to comply with any restrictive covenants in the Agreement during or after the Force Majeure event.

## 10. PRODUCTS AND SERVICES

10.1. Limitations on Products and Services. Franchisee's Restaurant will strictly conform to Franchisor's specifications and quality standards. Certain products including, without limitation, plates, cups, boxes, and containers bearing the Marks will only be purchased by Franchisee from Approved Suppliers. Franchisee will only sell the Products and Services specified in writing by Franchisor or in the Franchise Operations Manual. Franchisee will offer and sell all of the Products and Services specified by Franchisor in writing or in the Franchise Operations Manual. Franchisee will maintain sufficient inventories of

approved food products, beverages, ingredients, and other products to realize the full potential of Franchisee's Restaurant and conform to all customer service standards prescribed by Franchisor in writing. Franchisee will only sell the Products and Services on a retail basis and will not offer or sell the Products and Services on any other basis or through any other method of distribution not approved by Franchisor.

Franchisor does not represent that any of the Products and Services will be available to Franchisee in any particular market area or that any pricing or payment terms extended by any supplier to Franchisor or any Affiliates will be offered to Franchisee. Franchisee will comply with Franchisor's requirements for the retail prices charged to consumers by Franchisee for certain Products and Services as designated by Franchisor from time to time to the extent permitted by law.

10.2. Approved Suppliers. Franchisee will purchase certain Products and Services that will be used or sold by Franchisee at Franchisee's Restaurant only from Approved Suppliers. Franchisor or an Affiliate may be an Approved Supplier for the foods, food items, products and services used or sold in Franchisee's Restaurant. If Franchisee wants to use or sell a product or service that Franchisor has not yet evaluated or if Franchisee wants to purchase or lease a product or service from a supplier or provider that Franchisor has not yet approved (for services and products that require supplier approval), Franchisee will notify Franchisor and submit to Franchisor the information, specifications, and samples Franchisor requests. Franchisor will use commercially reasonable efforts to notify Franchisee within 30 days after receiving all requested information and materials whether Franchisee is authorized to purchase or lease the product or service from that supplier or provider. If Franchisee does not receive a response to Franchisee's request within such 30-day period, Franchisee's request will be deemed disapproved. Franchisee will reimburse Franchisor for the costs and expenses incurred to conduct the evaluation. Franchisor may periodically re-inspect Approved Suppliers' facilities and products. Franchisor may revoke its approval of any supplier, product, or service that does not continue to meet Franchisor's specifications.

10.3. Brand Name Products. Franchisee will purchase and use in the operations of Franchisee's Restaurant all of the brand name Products and Services specified in the Franchise Operations Manual or otherwise in writing by Franchisor.

10.4. Branding of Foods, Beverages or Products. Franchisee will not:

(a) Use or display the Marks on or in connection with any foods, beverages, or products that have not been approved by Franchisor;

(b) Acquire, develop or manufacture any food, beverage, or product using the name "Rush Bowls" or any of the Marks, or direct any other person or Entity to do so;

(c) Acquire, develop, or manufacture any foods, beverages, or products that have been developed or manufactured by or for Franchisor for use in conjunction with the operations of Franchisee's Restaurant that are sold under any of the Marks, or direct any other person or Entity to do so; or

(d) Use, have access to, or have any rights to any proprietary formulas, ingredients, or recipes for any foods, beverages or products created by or at the direction of Franchisor and sold under any of the Marks.

10.5. Payments by Suppliers. Franchisor and Affiliates may receive commissions, volume discounts, purchase discounts, performance payments, bonuses, rebates, marketing and advertising allowances, co-op advertising, administrative fees, enhancements, price discounts, economic benefits, and other payments (collectively, "Payments") based upon the actual purchases of Products and Services by Franchisee,

Franchisor, Affiliates, other franchisees, and developers from Approved Suppliers, Franchisor, Affiliates, other suppliers, vendors, and distributors (collectively, "Suppliers"). Franchisee's right to receive Payments made to Franchisor or Affiliates as a result of Franchisee's purchases from Suppliers will be subject to the policies that Franchisor establishes. All Payments made to Franchisor or Affiliates as a result of purchases by Franchisee from Suppliers will be retained by Franchisor or Affiliates.

10.6. Catering and Delivery. Franchisee may provide catering and delivery services provided it does not do so in the protected area of another franchisee. Franchisor may impose restrictions in the future that prevent Franchisee from providing catering and delivery services. Franchisor will have the absolute right to withdraw its approval for Franchisee to offer catering and delivery services upon 30 days' prior written notice. All catering and delivery services will comply with Franchisor's standards, policies, and requirements set forth in the Franchise Operations Manual or otherwise in writing by Franchisor.

## 11. CONFIDENTIAL FRANCHISE OPERATIONS MANUAL AND CONFIDENTIAL INFORMATION

11.1. Compliance with Franchise Operations Manual. Franchisor will loan Franchisee one copy of the Franchise Operations Manual, which may be provided electronically to Franchisee. If Franchisor provides Franchisee with a written Franchise Operations Manual and the written Franchise Operations Manual is lost, destroyed, or significantly damaged, Franchisee will pay Franchisor $500 for each such lost, destroyed, or damaged Franchise Operations Manual. Franchisee will conform to the common image and identity created by the Products and Services, music, recipes, ingredients, cooking techniques and processes, cleanliness, sanitation, and services associated with Restaurants that are described in the Franchise Operations Manual. Franchisee will not use the Franchise Operations Manual or any information contained therein for any purpose other than the operation of Franchisee's Restaurant.

11.2. Revisions to Franchise Operations Manual. The Franchise Operations Manual will remain the sole and exclusive property of Franchisor at all times. Franchisor may revise and update the Franchise Operations Manual to address changes or improvements to the System and Franchisee will operate Franchisee's Restaurant in accordance with all such revisions and updates. Franchisee will keep its copy of the Franchise Operations Manual current and up-to-date at all times. If any dispute regarding the Franchise Operations Manual occurs, the terms of the master copy of the Franchise Operations Manual maintained by Franchisor will control. Franchisor may provide revisions and updates to the Franchise Operations Manual to Franchisee electronically.

11.3. Confidential Information. Franchisor will be disclosing and providing Franchisee and its employees and agents with Confidential Information. Franchisee, its existing and future Owners, and its employees and agents will not reveal, communicate, sell, use, employ, copy, reverse engineer, lecture upon, rewrite, reproduce, disseminate, publish, disclose, or divulge any Confidential Information of Franchisor, or any abstracts thereof, to any person or Entity except as expressly authorized by the Agreement or by Franchisor in writing during the term of the Agreement or thereafter. Franchisee will only disclose or provide Confidential Information to its employees who require the Confidential Information to properly execute their job functions and operate Franchisee's Restaurant. All Confidential Information is and will remain the sole and absolute property of Franchisor. Franchisee will have no rights or interests in any Confidential Information except as provided in the Agreement. Any additions, changes, modifications or improvements made to any of Franchisor's Confidential Information by Franchisee or its employees and agents will be the sole and exclusive property of Franchisor. Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to disclosure of Confidential Information made: (i) directly or indirectly in confidence to a government official or an attorney solely for the purpose of reporting or investigating a suspected violation of law; (ii) in a complaint or other document

filed in a lawsuit or other proceeding if such filing is made under seal; or (iii) to an attorney during cases of suit for retaliation based on the reporting of a suspected violation of law for use of the Confidential Information in such court proceeding, so long as any document containing the Confidential Information is filed under seal and not otherwise disclosed except pursuant to court order.

11.4. Confidentiality of Franchise Operations Manual. Franchisee will treat the Franchise Operations Manual and any other manuals created for or approved for use in the operation of Franchisee's Restaurant as Confidential Information. Franchisee will use all reasonable means to keep the contents of the Franchise Operations Manual secret and will only grant access to the Franchise Operations Manual to those employees who will use the Franchise Operations Manual in the performance of their employment duties.

11.5. Confidentiality and Noncompetition Agreements. If Franchisee is an Entity, any officer that does not own equity in Franchisee will sign Franchisor's then-current confidentiality and noncompetition agreement (the "System Protection Agreement)," the current form of which is attached to Franchisor's Franchise Disclosure Document as Exhibit H. All of Franchisee's Designated Managers, employees, Managers (defined below), independent contractors, agents, and representatives that may have access to Franchisor's Confidential Information will sign the System Protection Agreement. If Franchisee is an Entity, each person holding a direct or indirect ownership interest in the Franchisee Entity and their spouse will sign Franchisor's then-current confidentiality and noncompetition agreement for such individuals (the "Owner's Agreement"), the current form of which is attached as Attachment 2.

## 12. SITE SELECTION, CONSTRUCTION, AND SIGNS

12.1. Site Selection and Purchase or Lease of Site. Franchisee may operate Franchisee's Restaurant only at the Franchised Location. Franchisee is not guaranteed any specific Franchised Location and Franchisee may not be able to obtain Franchisee's first choice for the Franchised Location. Franchisor recommends that Franchisee retain an experienced attorney to provide advice and counsel on the terms, conditions, and economics of the legal and other documents required to lease or purchase the site of the Franchised Location. Franchisee will provide Franchisor with a copy of the proposed Lease for the site selected by Franchisee at least four Weeks before the date the Lease is to be signed. Franchisor's review of the Lease will be only to determine whether the terms of the Lease comply with the terms and conditions of the Agreement and not to provide any business, economic, legal, or real estate advice or analysis. Franchisee will be solely responsible for all terms of the Lease, including the enforceability, economics and legality of all provisions in the Lease. The enforceability of the Lease will be conditioned upon the approval of Franchisee by Franchisor and the enforceability of the Agreement. Franchisee will not sign the Lease until the Agreement has been signed by both Franchisee and Franchisor and the Lease contains the terms required under this Section 12.1 that are more specifically set forth in the form of Lease Addendum attached to Franchisor's Franchise Disclosure Document at Exhibit H. Franchisee will enter into the Collateral Assignment of Lease attached thereto in connection with any Lease. Franchisee will obtain the signature of the landlord for the site on such Lease Addendum. The terms of the Lease will give Franchisor the right to enter the premises of the Franchised Location to conduct inspections during regular business hours.

12.2. Site Information. Franchisee will provide to Franchisor the information specified by Franchisor in writing for the proposed site of the Franchised Location (the "Site Information"). Franchisor will have 30 days after receipt of the Site Information to evaluate the proposed site. If Franchisor disapproves of the proposed site, Franchisee will select another site subject to Franchisor's consent. Franchisee will purchase or lease the site for Franchisee's Restaurant within 180 days of the Effective Date. Franchisor may require that Franchisee obtain an economic feasibility study for the proposed site at Franchisee's expense. An expert mutually agreed upon by Franchisor and Franchisee in writing will complete any such required feasibility study. Franchisor will visit the site proposed by Franchisee and review the site submittal package

in Franchisee's sole discretion. Franchisee will not purchase or lease a proposed site until Franchisee has provided the Site Information to Franchisor, Franchisor has reviewed the proposed site, and Franchisor has provided Franchisee with written approval of the proposed site. Franchisee will provide executed copies of the Lease or purchase closing documents for the Franchised Location within ten days of execution. The review of any Site Information, any visits by Franchisor to a proposed site, the review of the site, or Franchisor's written approval of the proposed site will not constitute a warranty or representation by Franchisor or any other party that the Franchised Location's site chosen by Franchisee will be a financial or operational success.

12.3. Site Release. Franchisor will have no duty or obligation to assist Franchisee in the selection of a site for the Franchised Location or provide any assistance to Franchisee in the purchase or lease of the Franchised Location. Franchisor has informed Franchisee that Franchisor does not have any experience or expertise in selecting real estate sites in the geographic area where Franchisee's Restaurant will be located and Franchisor will not have any obligation, duty, or liability to Franchisee as a result of the site selected by Franchisee or the purchase or lease of the Franchised Location. Franchisee releases Franchisor, Affiliates, and their respective Executive Management, agents, and employees in their corporate and individual capacities from any Claims by Franchisee arising from, in connection with, or as a result of Franchisee's purchase or lease of the site selected by Franchisee for the Franchised Location.

12.4. Standard Plans and Specifications. Franchisor will provide Franchisee with the standard plans and specifications for a Restaurant. Franchisee acknowledges that unique aspects of each real estate site may require significant modifications to these standard plans and specifications. Franchisee will retain a licensed architect and be responsible for the preparation of working drawings and construction and architectural plans and specifications for Franchisee's Restaurant at Franchisee's expense. Franchisee will be responsible for the accuracy of all drawings, plans, and specifications for Franchisee's Restaurant.

12.5. Compliance with Specifications and Standards. The Franchised Location and Franchisee's Restaurant will conform to all standards, specifications, and other requirements (the "Design Standards") established by Franchisor for the design, decoration, layout, FF&E, and other items of Franchisee's Restaurant. Any changes or modifications to the Design Standards will be submitted to Franchisor for its prior approval. Compliance with the Design Standards will not release Franchisee from Franchisee's obligation to ensure that Franchisee's Restaurant is designed and constructed in compliance with all federal, state, and local laws including, without limitation, the Americans with Disabilities Act. Franchisee will purchase and install the FF&E specified in the Franchise Operations Manual or otherwise in writing by Franchisor for Franchisee's Restaurant in compliance with the Design Standards.

12.6. Construction Costs. Franchisee will retain a licensed and bonded contractor with experience in restaurant construction for the construction or renovation of Franchisee's Restaurant. Franchisee will be solely responsible for all costs and expenses incurred for the construction or renovation of Franchisee's Restaurant.

12.7. Inspection. Franchisee will be solely responsible for inspections during construction or renovation to confirm that the Franchised Location and Franchisee's Restaurant are being constructed or renovated in a workmanlike manner according to Franchisor's specifications. Franchisee will be solely responsible for complying with all federal, state, and local laws, ordinances, statutes, and building codes and for acquiring all licenses and building and other permits required by law in connection with the construction or renovation of Franchisee's Restaurant. Franchisee will not open Franchisee's Restaurant for business without Franchisor's prior written approval.

12.8. Approved Signs. All exterior and interior signs at the Franchised Location (the "Signs") will comply with Franchisor's standard sign plans and specifications provided to Franchisee and be purchased from an Approved Supplier. Franchisee will prepare complete and detailed plans and specifications for the Signs and submit them to Franchisor for written approval at Franchisee's expense. Franchisee will be responsible for any and all installation costs, sign costs, and other related expenses and comply with all federal, state, and local laws, regulations, building codes and ordinances related to the construction, erection, maintenance, and use of the Signs. Franchisee may not alter, remove, change, modify, or redesign the Signs without Franchisor's prior written approval. Franchisor may redesign the specifications for the Signs without the approval or consent of Franchisee. Within 90 days after receipt of Franchisor's written notice, Franchisee will either modify or replace the Signs so that the Signs displayed at the Franchised Location will comply with the new specifications at Franchisee's expense. Franchisee will not be required to modify or replace the Signs more than once every five years from the Effective Date.

12.9. Ownership of Franchised Location. If Franchisee, any Owners, or an Entity owned by Franchisee or any Owners owns, leases, or otherwise controls the Franchised Location including, without limitation, land, building, and related real estate, or owns 51% or more of an Entity that owns, leases, or otherwise controls the Franchised Location, Franchisee will enter into a Lease for the Franchised Location for a term coterminous with the term of the Agreement. The Lease will be deemed to be a Major Asset. This Section 12.9 will not apply if Franchisee owns the Franchised Location and the Franchised Location is reflected as an asset on Franchisee's Financial Statements, in which event the Franchised Location will be deemed a Major Asset.

## 13. EQUIPMENT, COMPUTER HARDWARE, AND COMPUTER SOFTWARE

13.1. Computer Hardware, Computer Software, and Point-of-Sale System. Franchisee will lease, license, use, and purchase the computer hardware, high-speed Internet connections, communication and transmission equipment and systems, computer software, peripheral devices and point-of-sale, cash register and operating systems and maintenance and support services (the "Computer System") that meet the standards, specifications, and requirements periodically established by Franchisor as set forth in the Franchise Operations Manual or otherwise in writing from the suppliers Franchisor specifies at Franchisee's expense. Upon written notice from Franchisor, Franchisee will modify, enhance, update, and upgrade the Computer System to the standards, specifications and requirements specified by Franchisor at Franchisee's expense. The Computer System will manage the daily workflow of Franchisee's Restaurant, coordinate the customer ordering experience, track inventory, food costs, labor data, and other information. Franchisee will record all Gross Sales on the Computer System. Franchisee will store all data and information in the Computer System and allow Franchisor to access such data and information in the manner Franchisor specifies. The Computer System will generate reports on the Gross Sales of Franchisee's Restaurant. Franchisee will maintain a high-speed Internet connection at Franchisee's Restaurant. Franchisor is not required to provide Franchisee with any ongoing maintenance, repairs, upgrades, updates, or support for the Computer System. Franchisee will arrange for the installation, maintenance, and support of the Computer System at Franchisee's expense. There is no limitation on the frequency and cost of this obligation. Franchisor may retrieve data and other information from Franchisee's point-of-sale systems and Computer System at any time as Franchisor deems necessary or desirable in Franchisor's sole discretion. Franchisee will ensure that Franchisor has access at all times to Franchisee's point-of-sale systems and Computer Systems at Franchisee's expense. Franchisee will provide Franchisor with any codes, passwords, and information necessary to access Franchisee's Computer System and point-of-sale systems. Franchisee will obtain Franchisor's prior written approval before changing such codes, passwords, and information.

13.2. Internet Provider and E-Mail Address. Franchisee will obtain access to the Internet and maintain an e-mail address at Franchisee's expense. Franchisee will not transmit any confidential information, documents, or data without complying with the security measures adopted by Franchisor. Franchisee will not make any derogatory, defamatory, or libelous statements in any transmission made via the Internet, through an intranet website, or by any other means. Franchisor or its designee may independently access the electronic information and data relating to Franchisee's Restaurant and collect and use Franchisee's electronic information and data in any manner including, without limitation, promoting the System and the sale of Franchises. This may include posting financial information of each franchisee on an intranet website. There is no contractual limitation on Franchisor's right to receive or use information through Franchisor's proprietary data management and intranet system. Franchisor may remotely access the electronic information and data from Franchisee's Computer System.

13.3. Rush Bowls Website. Franchisor may establish and maintain a website (the "Rush Bowls Website") to advertise and promote the Restaurants. Franchisor has the sole right to determine all features of the Rush Bowls Website. Franchisor may charge the Brand Fund for the costs associated with maintenance or enhancement of the Rush Bowls Website.

13.4. Online Advertising. If Franchisee wishes to advertise online, Franchisee will follow Franchisor's then-current online policy described in the Franchise Operations Manual. Franchisee may not establish an account, participate in any social networking sites, or otherwise mention or discuss the franchise, Franchisor or any of Affiliates online without Franchisor's prior written consent and subject to Franchisor's online policy.

13.5. Upgrades and System Changes. Franchisee will be responsible for any increase in Franchisee's costs resulting from any upgrades, modifications, additional systems or software, and any supplier fee increases. Franchisor may: (i) change or add approved suppliers or vendors of these services at any time in Franchisor's sole discretion; (ii) enter into a master license agreement with any software or technology supplier and sublicense the software or technology to Franchisee, in which case Franchisor may charge Franchisee for all amounts that Franchisor must pay to the licensor based on Franchisee's use of the software or technology; (iii) create proprietary software or technology that must be used by franchisees, in which case Franchisor may require that Franchisee enter into a license agreement with Franchisor and pay Franchisor reasonable initial and ongoing licensing, support, and maintenance fees; and (iv) increase or decrease the Technology Fee and other technology and licensing and expenses that Franchisee is required to pay under the Agreement at any time upon 30 days' written notice to Franchisee.

## 14. TRAINING

14.1. Initial Training. Franchisor will provide Franchisee (or its Operating Principal, if Franchisee is an Entity) and, if applicable, its Designated Manager with an initial training program (the "Training Program") at a location designated by Franchisor (generally, the Franchisee's Restaurant). Franchisee (or its Operating Principal, if Franchisee is an Entity) and its Designated Manager will complete the Training Program to Franchisor's satisfaction before Franchisee opens Franchisee's Restaurant. Franchisor provides the Training Program at no cost for up to two people provided that they attend initial training at the same time. Franchisee will pay Franchisor's then-current fee (currently $500 per additional person) for training each additional person that Franchisee elects to bring to the Training Program. Franchisee is responsible for all Travel Expenses, Salaries, and Benefits for all persons attending the Training Program on Franchisee's behalf. Franchisee will not receive any compensation or reimbursement for services or expenses for participation in the Training Program.

14.2. Ongoing Training. Franchisor may require that Franchisee (or its Operating Principal, if Franchisee is an Entity), any Designated Managers, and other employees attend system-wide refresher or additional training courses from time to time. Some of these courses may be optional while others may be required. If Franchisor conducts an inspection of Franchisee's Restaurant and determines Franchisee is not operating in compliance with the Agreement, Franchisor may require that Franchisee attend remedial training that addresses Franchisee's operational deficiencies at Franchisee's expense. Franchisee may request that Franchisor provide additional training which Franchisor may provide in Franchisor's sole discretion. Franchisee is responsible for all Travel Expenses and the Salaries and Benefits for all employees of Franchisee who attend any training program on behalf of Franchisee. Franchisee will pay Franchisor the then-current fee (currently up to $500 per attendee per day for additional training) for such additional training.

14.3. Grand Opening Assistance. Franchisor will provide certain on-site assistance for the opening of Franchisee's Restaurant. Franchisee will pay Franchisor a $5,000 fee (the "Grand Opening Assistance Fee") at least seven days prior to opening Franchisee's Restaurant. The Grand Opening Assistance Fee will pay for up to five days of on-site assistance before and during Franchisee's Restaurant's opening. The Grand Opening Assistance Fee will not include Franchisor's Travel Expenses and Franchisee will reimburse Franchisor for related Franchisor's Travel Expenses Franchisor within 30 days of invoice. If Franchisor requires, or if Franchisee requests that Franchisor provide, more than five days of assistance or additional trips to Franchisee's Restaurant, Franchisee will pay Franchisor its then-current fee and Travel Expenses for each additional day of assistance for each representative of Franchisor provides. The Grand Opening Assistance Fee and all additional costs and fees Franchisee pays to Franchisor are non-refundable. Grand opening assistance and payment of the Grand Opening Assistance Fee are required for Franchisee's first and second Restaurants. If the Agreement is for Franchisee's third or subsequent Restaurants, Franchisor will not be required to provide the grand opening assistance described in this Section 14.3, but may do so in Franchisor's sole discretion, in which case Franchisee must pay Franchisor in accordance with this Section 14.3.

14.4. Release and Indemnification. Franchisee and Owners waive any right to sue for Damages (defined below) or other relief, and release all known and unknown Claims they may allegedly have against Franchisor, Affiliates, and their employees, agents, officers, and directors arising out of the adequacy or accuracy of the information provided at or any activities occurring during any training program, additional training, or opening assistance (collectively, "Training"), or any harm or injury any attendee or participant suffers during or as a result of attendance at or participation in the Training. Franchisee and Owners will hold Franchisor, Affiliates, and their employees, agents, officers, and directors harmless for any Claims or Damages incurred by Franchisee, Owners, or any of their affiliates, employees, agents, officers and directors arising out of, in any way connected with, or as a result of attendance at or participation in the Training. Franchisee, Owners, and all persons who attend and participate in the Training on behalf of Franchisee will sign the documentation required by Franchisor or Affiliates as a condition to their attendance at, participation in, and successful completion of the Training.

## 15. INSURANCE

Franchisee will procure and maintain in full force and effect insurance in the types and amounts specified by Franchisor in the Franchise Operations Manual at Franchisee's sole expense. Franchisor may modify or increase the required insurance at any time. All insurance companies providing coverage to Franchisee will be acceptable to and approved by Franchisor, licensed in the state where coverage is provided, and carry a rating from A.M. Best & Company, Inc. of "A" or better. Franchisee will provide Franchisor with copies of all insurance policies issued to Franchisee together with certificates of insurance evidencing the insurance coverage required of Franchisee under this Section 15 no later than the date Franchisee's

Restaurant opens for business. Franchisee will immediately provide a new certificate of insurance to Franchisor upon the expiration, change, or cancellation of any required insurance policy. Nothing in the Agreement will prevent Franchisee from purchasing insurance with coverage amounts in excess of the required coverage amounts. Except for employment liability insurance policies, all insurance policies procured and maintained by Franchisee under this Section 15 will name Franchisor and Affiliates Franchisor designates as an additional named insured party, contain endorsements by the insurance companies waiving all rights of subrogation against Franchisor, and stipulate that Franchisor will receive copies of all notices of cancellation, non-renewal, or coverage elimination at least 30 days prior to the effective date of such cancellation, non-renewal, or coverage elimination. Franchisee will provide prior written notification to Franchisor of any reduction in the insurance coverages maintained by Franchisee under this Section 15. If Franchisee fails to obtain or maintain required insurance, Franchisor may, but need not, obtain such insurance on Franchisee's behalf and Franchisee will reimburse Franchisor for the cost of the insurance plus an administrative fee equal to 20% of the insurance policy premium.

## 16. LICENSING OF MARKS AND SYSTEM

16.1. Right to License Marks. Franchisor warrants that it has the right to grant the Franchise and license the Marks and the System to Franchisee. Any improvements made by Franchisee to the Marks or the System will be Franchisor's sole and absolute property. Franchisor will have the exclusive right to register and protect all such improvements in Franchisor's name in accordance with applicable law. Franchisee's right to use and identify with the Marks and the System will exist concurrently with the term of the Agreement and such use by Franchisee will inure exclusively to the benefit of Franchisor.

16.2. Conditions to License of Marks. Franchisor grants to Franchisee the nonexclusive personal right to use the Marks and the System in accordance with the provisions of the Agreement. Franchisee's nonexclusive personal right to use "Rush Bowls" as the name of Franchisee's Restaurant and its right to use the Marks and the System applies only to Franchisee's Restaurant at the Franchised Location and such rights will exist only as long as Franchisee fully performs and complies with all of the conditions, terms, and covenants of the Agreement. For the purposes of this Section 16.2, "nonexclusive" means that Franchisor has and may grant franchises to other developers, franchisees, Entities, or persons authorizing them to own and operate Restaurants in conformity with the System using the name "Rush Bowls" and the other Marks, and that Franchisor and Affiliates have operated and may continue to own and operate Restaurants.

16.3. Franchisee's Authorized Use. Franchisee will only use the Marks designated by Franchisor and only in the manner authorized and permitted by Franchisor. Franchisee's right to use the Marks is limited to the uses set forth in the Agreement and any unauthorized use will constitute an infringement of the rights of Franchisor under the Agreement and under the Lanham Act (15 U.S.C. §1051, *et seq.*). Franchisee will not have or acquire any rights in any of the Marks or the System other than the right of use as provided herein. Franchisee will indicate to the public that Franchisee is an independently owned and operated licensed franchisee of Rush Bowls in any contract or advertisement and with a conspicuous sign in Franchisee's Restaurant. Franchisee may not use the Marks in the sale of unauthorized services or products or in any manner Franchisor does not authorize. Franchisee may not use the Marks in any advertising for the transfer, sale, or other disposition of Franchisee's Restaurant or any interest in the Franchise. All rights and goodwill from the use of the Marks accrue to Franchisor. If it becomes advisable for Franchisor or Franchisee to modify or discontinue using any Mark or use one or more additional or substitute trademarks or service marks at any time, Franchisee will comply with Franchisor's directions within a reasonable time after receiving notice. Franchisor will not reimburse Franchisee for Franchisee's direct expenses of changing signage, for any loss of revenue or other indirect expenses due to any modified or discontinued Mark, or for Franchisee's expenses for promoting a modified or substituted trademark or service mark.

16.4. Improvements. If Franchisee or Owners develop any new or revised concept, product, recipe, trademark, service mark, branding concept, process, or improvement in or related to the operation or promotion of Franchisee's Restaurant or the System (collectively, "Improvements"), Franchisee will promptly provide Franchisor with a detailed summary of the Improvements. Franchisee and Owners acknowledge that:

(a) All Improvements made by Franchisee and Owners are Franchisor's property;

(b) Franchisee will execute any documents or instruments required by Franchisor to memorialize or evidence Franchisor's ownership of the Improvements;

(c) Franchisor may incorporate any of the Improvements into the System or the Marks; and

(d) Franchisor may authorize Affiliates, franchisees, and developers to use any Improvements in the operations of any Restaurants owned, operated, licensed, or franchised by Franchisor or Affiliates without any compensation to Franchisee.

16.5. Adverse Claims to Marks. If there are any Claims by any party that its rights to any of the Marks are superior to Franchisor's rights and if Franchisor's attorneys are of the opinion that such Claims by a party is legally meritorious, or if there is an adjudication by a court of competent jurisdiction that any party's rights to the Marks are superior to Franchisor's rights, then Franchisee will immediately adopt and use the changes and amendments to the Marks that are specified by Franchisor at Franchisee's expenses upon receiving Franchisor's written notice. If directed, Franchisee will immediately cease using the Marks specified by Franchisor and commence using the new trademarks, trade names, service marks, logos, designs, and commercial symbols designated by Franchisor in writing at the Franchised Location and in connection with all advertising, marketing, and promotion of Franchisee's Restaurant as soon as reasonably practicable. Franchisee will not make any changes or amendments whatsoever to the Marks or the System without Franchisor's prior written approval.

16.6. Defense or Enforcement of Rights to Marks. Franchisee will give Franchisor immediate written notice of any and all Claims or complaints made against or associated with the Marks and the System and cooperate in all respects with Franchisor in any lawsuits or other proceedings involving the Marks and the System without compensation. Franchisor will have the sole and absolute right to determine whether it will commence or defend any litigation involving the Marks or the System, and the cost and expense of all litigation incurred by Franchisor including, without limitation, attorneys' fees specifically relating to the Marks or the System will be paid by Franchisor.

16.7. Tender of Defense. If Franchisee is named as a defendant or party in any action involving the Marks or the System solely because the plaintiff or claimant alleges that Franchisee does not have the right to use the Marks or the System, Franchisee may tender defense of the action to Franchisor and Franchisor will defend Franchisee in the action at Franchisor's expense provided that Franchisee has tendered defense of the action to Franchisor within seven days after receiving service of the pleadings or the summons and complaint relating to the action. Franchisor will indemnify and hold Franchisee harmless from any Damages assessed against Franchisee in any actions resulting solely from Franchisee's use of the Marks or the System at the Franchised Location if Franchisee has timely tendered defense of the action to Franchisor and complied with the Agreement and the Franchise Operations Manual with respect to Franchisee's use of the Marks and the System.

16.8. Franchisee's Right to Participate in Litigation. Franchisee may retain an attorney to represent it individually in all litigation and court proceedings involving the Marks or the System at Franchisee's expense, and may also do so with respect to matters involving only Franchisee and not Franchisor or its interests; provided, however, that Franchisor and its attorneys will control and conduct all litigation involving the Marks, the System, or Franchisor's rights. Except as expressly provided for herein, Franchisor will have no liability for any costs that Franchisee may incur in any litigation involving the Marks or the System, and Franchisee will pay for all costs including, without limitation, attorneys' fees that it may incur in any litigation or proceeding arising as a result of matters referred to under this Section 16.8 if Franchisee has not timely tendered the defense to Franchisor in accordance with Section 16.7.

16.9. Notice. If Franchisee believes Franchisor has failed to adequately provide pre-opening and opening services to Franchisee as provided in the Agreement, Franchisee will notify Franchisor in writing within 30 days following Franchisor's provision of such services. Without the timely provision of such notice to Franchisor, Franchisee will be deemed to conclusively acknowledge that all pre-opening and opening services required to be provided by Franchisor were sufficient and satisfactory in Franchisee's judgment.

## 17. TRANSFER

17.1. Transfer of Agreement by Franchisor. Franchisor may Transfer the Agreement to any person or Entity without the approval of Franchisee and any such Transfer will inure to the benefit of the successors and assigns of Franchisor. Franchisor will provide Franchisee with written notice after the Transfer has been completed, and the assignee will be required to fully perform all obligations of Franchisor under the Agreement.

17.2. Transfer of Agreement to Beneficiary or Entity. If Franchisee is an individual and has personally signed the Agreement, then if the death or permanent disability of Franchisee occurs, the Agreement may be transferred to any designated person or beneficiary (a "Beneficiary") without the payment of any Transfer Fee and without complying with Section 21. Notwithstanding the foregoing, the Transfer of the Agreement to the Beneficiary will be subject to the applicable provisions of Sections 17.3(b) through 17.3(i) and will not be valid or effective until Franchisor has received the properly executed legal documents that its attorneys deem necessary to document the Transfer of the Agreement to the Beneficiary. The Beneficiary will be unconditionally bound by the terms and conditions of the Agreement and successfully complete the Training Program. There will be no charge to the Beneficiary for attending the Training Program; provided, however, that the Beneficiary will pay the Salary and Benefits and the Travel Expenses of the Beneficiary. Franchisee may Transfer the Agreement to an Entity without the payment of a Transfer Fee and without complying with Section 21 if Franchisee is an individual or a general partnership provided that: (i) the owners of the Entity are the same person or persons who signed the Agreement; and (ii) Franchisee (or the Entity to which Franchisee is transferring ownership) pays Franchisor a $500 fee on or prior to the Transfer.

17.3. Conditions to Transfer by Franchisee. Subject to the provisions of Section 21, Franchisee will not Transfer any interest in or any part of the Agreement, the Franchise, or Franchisee's Restaurant to any person or Entity without Franchisor's prior written approval. Franchisor will not withhold its written consent to the Transfer by Franchisee if the Transfer does not violate any of the terms of the Agreement, Franchisor does not exercise its rights under Section 21 of the Agreement, and Franchisee and the transferee are in full compliance with the following terms and conditions:

(a) Franchisee has provided written notice to Franchisor of the proposed Transfer at least 45 days prior to the Transfer;

(b) All of Franchisee's monetary obligations due to Franchisor or Affiliates have been paid in full and Franchisee is not otherwise in default under the Agreement;

(c) Franchisee has agreed in writing to observe all applicable provisions of the Agreement including, without limitation, the covenants not to compete contained in the Agreement;

(d) Franchisee has executed a general release, the current form of which is attached to Franchisor's Franchise Disclosure Document as Exhibit H, of any Claims against Franchisor, Affiliates, and their respective Executive Management, Owners, agents, and employees in their corporate and individual capacities arising from, in connection with, or as a result of the Agreement, the operation of Franchisee's Restaurant, or Franchisee's purchase of the Franchise including, without limitation, all Claims arising under any federal or state franchising laws or any other federal, state, or local law, rule, or ordinance;

(e) The transferee has demonstrated to Franchisor's satisfaction that the transferee meets the managerial, financial, and business standards required by Franchisor for new franchisees or developers, possesses a good business reputation and credit rating, and that its management possesses the aptitude and ability to operate Franchisee's Restaurant in an economic and businesslike manner;

(f) The transferee and all of the transferee's owners execute the legal agreements required by Franchisor or its legal counsel including, without limitation, Franchisor's then-current standard franchise agreement and any related documents;

(g) The transferee has purchased or leased the Franchised Location for a term consistent with the remaining term of the Agreement or the term of the then-current standard franchise agreement;

(h) The transferee has purchased or otherwise acquired a food service license for Franchisee's Restaurant at the Franchised Location;

(i) The transferee and its Management Staff have successfully completed the Training; and

(j) Franchisee will reimburse Franchisor upon receipt of Franchisor's invoice for any broker or other placement fees that Franchisor incurs as a result of the Transfer.

17.4. Transfer of Ownership Interest. No Owner may Transfer an Ownership Interest in Franchisee without Franchisor's prior written approval. Franchisor will not withhold its written consent if the Transfer of the Ownership Interest complies in all respects with the terms of the Agreement and Franchisor does not exercise its right of first refusal to acquire the Owner's Ownership Interest in Franchisee under Section 21.8. A Transfer by an Owner to: (i) a relative (husband, wife, children, grandchildren, mother, father, brother, or sister) of such Owner; or (ii) one of the existing Owners will not be subject to the provisions of Sections 17.6 and 21.8; provided, however, that: (i) the Transfer has been approved in writing by Franchisor; and (ii) Owners have complied with all of the provisions of the Agreement applicable to Owners.

17.5. Acknowledgment of Restrictions. Franchisee and Owners acknowledge that the restrictions on Transfers imposed herein are reasonable and necessary to protect the System, the Marks, and Franchisor's reputation and image, and are for the protection of Franchisor, Franchisee, and all other franchisees and developers who own and operate Restaurants. Any Transfer permitted by this Section 17 will not be effective until Franchisor receives executed copies of all Transfer documents and Franchisor consents to the Transfer in writing. Any attempted Transfer made without complying with the requirements of this Section 17 will be void.

17.6. Transfer Fee. If the Agreement is Transferred to another person or Entity, or if any Owner Transfers any Ownership Interest in Franchisee to a third party, then except as provided for in Sections 17.2 and 17.4, Franchisee will pay Franchisor a fee equal to: (i) $4,000 for a Transfer to an existing franchisee of Franchisor; or (ii) 30% of Franchisor's then-current initial franchise fee for a Transfer to any other person or Entity (the "Transfer Fee"). Franchisee will pay a $1,000 non-refundable deposit upon Franchisee's request for approval of the Transfer and pay the balance of the Transfer Fee upon approval of the Transfer. The Transfer Fee is paid for the costs incurred by Franchisor in connection with the Transfer. Franchisor may charge the transferee Franchisee the per diem training fee for the expenses incurred by Franchisor in connection with providing the Training Program to the transferee and its Management Staff. The transferee will be responsible for all Salaries and Benefits, Travel Expenses, and other expenses incurred by all personnel attending the Training Program on behalf of the transferee.

## 18. FRANCHISOR'S TERMINATION RIGHTS

18.1. Termination and Conditions of Breach. In addition to its other rights of termination contained in the Agreement, Franchisor may terminate the Agreement if:

(a) Franchisor determines that any required or other financial, personal, or other information provided by Franchisee to Franchisor is materially false, misleading, incomplete, or inaccurate;

(b) Franchisee has not purchased or leased a site for the Franchised Location within 180 days after the Effective Date;

(c) Franchisee has not obtained all licenses, permits, and certifications required for the service of food by Franchisee's Restaurant from the appropriate Governmental Authorities at least ten days before the Required Opening Date;

(d) Franchisee or any member of the Management Staff has not completed the Training Program at least 20 days prior to the Required Opening Date;

(e) Franchisee materially violates any federal, state, or municipal law, rule, code, or regulation applicable to Franchisee's Restaurant operations including, without limitation, a violation of any health department rules or regulations relating to any food safety standards that would in any way endanger the health or well-being of any customer of Franchisee's Restaurant;

(f) Franchisee breaches any material provision, term, or condition of the Agreement including, without limitation, the failure to timely pay any Fees (defined below), rents, or any other monetary obligations due and payable to Franchisor or Affiliates under the Agreement or any other agreement; provided, however, that a default or termination of any Area Development Agreement due to failure to meet the development schedule will not be grounds for default or termination of the Agreement;

(g) Franchisee, the Designated Manager, or any of its Executive Management or Owners are convicted of, or plead guilty to a violation of any federal or state law that has a material adverse effect on the operations of Franchisee's Restaurant or a crime involving dishonesty, fraud, or moral turpitude;

(h) Franchisee fails to timely pay any of its uncontested obligations or liabilities due and owing to Franchisor, Affiliates, suppliers, banks, purveyors, other creditors or to any federal, state or municipal government;

(i) Franchisee is determined to be insolvent under applicable state or federal law, any involuntary petition for bankruptcy is filed against Franchisee, Franchisee files for bankruptcy, or Franchisee is adjudicated bankrupt under applicable state or federal law;

(j) Franchisee makes an assignment for the benefit of creditors or enters into any similar arrangement for the disposition of its assets for the benefit of creditors;

(k) Franchisee voluntarily or otherwise abandons Franchisee's Restaurant;

(l) Franchisee is involved in any act or conduct that materially impairs the goodwill associated with the name "Rush Bowls," any other Marks, or the System;

(m) The Lease is terminated or canceled for non-payment of rent or other legal reasons or Franchisee is evicted from the Franchised Location;

(n) Any license, permit, or certification required for food service at Franchisee's Restaurant is canceled for any reason;

(o) Franchisee fails to provide the Financial Records requested by Franchisor to substantiate the Financial Statements or produce and permit Franchisor to audit Franchisee's Financial Records in accordance with the Agreement;

(p) Franchisee fails to open Franchisee's Restaurant and commence business operations by the Required Opening Date;

(q) Franchisee fails to designate a duly qualified replacement Designated Manager within 30 days after the former Designated Manager ceases to serve in that capacity; or

(r) Franchisee, Franchisee's affiliates, or an Owner breaches any other agreement between such person or Entity and Franchisor or an Affiliate.

Under the circumstances described above, Franchisor has the right, but not the obligation, to enter Franchisee's Restaurant and assume management of Franchisee's Restaurant or appoint a third party to assume management. If Franchisor or a third party assumes management, Franchisee will pay Franchisor $400 per day that Franchisor or the third party manages Franchisee's Restaurant, plus Franchisor's or the third party's costs and expenses in addition to the Royalty Fees and Brand Fund Contributions and other amounts due Franchisor or Affiliates. If Franchisor exercises its rights of management under this Section 18.1, it will not affect Franchisor's right to terminate the Agreement.

18.2. Notice of Breach. Except as provided in Sections 18.4 and 18.5, Franchisor may not terminate the Agreement until: (i) written notice setting forth the alleged breach in detail has been delivered to Franchisee by Franchisor; and (ii) Franchisee fails to correct the alleged breach 30 days after receipt of the written notice to correct the alleged breach except when the written notice states that Franchisee is delinquent in the payment of any of Fees, rents, or other monetary obligations payable to Franchisor or an Affiliate under the Agreement or any other agreement, in which case Franchisee will have five days after receipt of written notice to correct the breach by making full payment to Franchisor together with interest on the past due obligations at the rate of 18% per annum and any applicable administrative fees. If Franchisee fails to correct the alleged breach set forth in the written notice within the required period of time, the Agreement may be terminated by Franchisor.

18.3. Notice of Termination. Except as provided in Sections 18.4 and 18.5, if Franchisor has complied with the provisions of this Section 18 and Franchisee has not corrected the alleged breach set forth in the written notice of breach within the applicable time period specified in the Agreement, then Franchisor will have the absolute right to terminate the Agreement by giving Franchisee written notice of termination and the effective date of termination will be the day written notice of termination is received by Franchisee.

18.4. Immediate Termination Rights of Franchisor. Unless precluded by applicable law, Franchisor will have the absolute right to immediately terminate the Agreement if:

(a) Franchisee, the Designated Manager, any of Franchisee's Executive Management, or any Owners are convicted of or plead guilty to a charge of violating any law applicable to Franchisee's Restaurant;

(b) Franchisee is deemed insolvent under applicable state or federal law, any involuntary petition for bankruptcy is filed against Franchisee and Franchisee is unable within a period of 60 days from such filing to obtain the dismissal of the bankruptcy petition, Franchisee files for bankruptcy, or Franchisee is adjudicated bankrupt under applicable state or federal law;

(c) Franchisee makes an assignment for the benefit of creditors or enters into any similar arrangement for the disposition of its assets for the benefit of creditors;

(d) Franchisee voluntarily or otherwise abandons Franchisee's Restaurant;

(e) Franchisee fails or refuses to provide the Financial Records and other materials requested by Franchisor to substantiate Franchisee's Financial Statements or to produce and permit Franchisor to audit Franchisee's Financial Records;

(f) Franchisee is involved in any act or conduct that materially impairs the goodwill associated with the Marks or the System and Franchisee fails to correct the breach within 24 hours after receipt of Franchisor's written notice of default;

(g) Franchisee breaches any provision, term, or condition of the Agreement: (i) three or more times during any twelve-month period; or (ii) six or more times during the term of the Agreement without regard to whether the breaches were of a similar or different nature or whether the breaches were corrected within the prescribed cure period after receipt of written notice of default; or

(h) Franchisee fails to open Franchisee's Restaurant and commence business operations by the Required Opening Date.

18.5. Notice of Immediate Termination. Except as provided below, if the Agreement is terminated by Franchisor under Section 18.4, then Franchisor will give Franchisee written notice that the Agreement is terminated and the effective date of termination will be the day the written notice of termination is received by Franchisee. If notice of termination is given to Franchisee by Franchisor under Section 18.4(f), then the Agreement will terminate on the first minute of the 25th hour after receipt of the written notice of termination if Franchisee fails to correct the alleged breach within 24 hours after receiving the written notice of termination.

18.6. Liquidated Damages. Upon termination of the Agreement by Franchisor under Section 18 or upon termination by Franchisee without legal cause, in addition to the amounts owed hereunder, Franchisee will pay Franchisor within 15 days after the effective date of the Agreement's termination liquidated damages

equal to the average monthly Royalty Fees and Brand Fund Contributions (without regard to any fee waivers or other reductions) payable beginning with the date Franchisee opens Franchisee's Restaurant through the date of early termination multiplied by the lesser of: (i) 36; or (ii) the number of full months remaining in the term of the Agreement except that liquidated damages will not be less than $30,000 under any circumstances. The parties hereto acknowledge that it would be impracticable to determine the precise damages Franchisor will suffer from the Agreement's termination and the loss of cash flow from Royalties and Brand Fund Contributions. The parties consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

18.7. Other Remedies. Nothing in this Section 18 will preclude Franchisor from seeking other remedies or Damages under any state or federal law, common law, or under the Agreement against Franchisee including, without limitation, attorneys' fees and injunctive relief. If the Agreement is terminated by Franchisor under this Section 18 or Franchisee breaches the Agreement by a wrongful termination or a termination that is not in strict compliance with the terms and conditions of the Agreement, then Franchisor will be entitled to seek recovery of all Damages that Franchisor has sustained and will sustain in the future as a result of Franchisee's breach of the Agreement. Franchisee must reimburse Franchisor for any legal and accounting fees Franchisor incurs enforcing Franchisor's rights under the Agreement or resulting from Franchisee's breach or termination of the Agreement.

18.8. No Equity upon Termination. The provisions of the Agreement will control Franchisee's rights regarding the Franchise. Franchisee will have no equity or any other continuing interest in the Franchise, any goodwill associated with Franchisee's Restaurant or the Marks, or any right to compensation or refunds upon the expiration or termination of the Agreement.

18.9. Continuing Obligations. If the Agreement is terminated because of Franchisee's default, Franchisee will not be released or discharged from Franchisee's obligations including, without limitation, payment of all Fees then due and other amounts that would have become due under the Agreement if Franchisee had continued the operation of Franchisee's Restaurant for the full term of the Agreement. Franchisor's remedies will include, without limitation, the rights to collect the present value of these amounts and receive the benefit of its bargain with Franchisee, accelerate the balances of any promissory notes, and receive any other unpaid amounts owed to Franchisor or Affiliates. Franchisee will sign a general release if Franchisor chooses to waive its rights to collect any amounts that would have become due if Franchisee had continued in business for the full term of the Agreement.

## 19. FRANCHISEE'S TERMINATION RIGHTS

Franchisee may terminate the Agreement if Franchisee is in full compliance with the Agreement, Franchisor breaches any material provision, term, or condition of the Agreement, and Franchisor fails to either: (i) cure such breach within 30 days after Franchisor receives written notice setting for the alleged breach in detail; or (ii) fails to begin to correct such breach within 30 days after Franchisor receives written notice setting for the alleged breach in detail if such breach cannot be cured within the 30-day period. Notwithstanding the foregoing, if Franchisee fails to give written notice to Franchisor of the alleged breach within twelve months from the first day of the alleged breach of the Agreement actually occurred including any breach based upon any state, federal, or common law, then the alleged breach by Franchisor will be deemed to be waived by Franchisee and will not be deemed to be a breach of the Agreement by Franchisor; Franchisee will be barred from commencing any action against Franchisor or from recovering any Damages from Franchisor for that specific alleged breach of the Agreement.

## 20. FRANCHISEE'S OBLIGATIONS UPON TERMINATION OR EXPIRATION

20.1. Termination of Use of Marks and Other Obligations. If the Agreement is canceled or terminated for any reason or the Agreement expires, Franchisee will:

(a) Pay all Fees to Franchisor within five days of cancellation, termination, or expiration;

(b) Immediately return to Franchisor the Franchise Operations Manual, Confidential Information, menus, advertising materials, and all other printed materials and records pertaining to Franchisee's Restaurant by first class prepaid United States mail; and

(c) Comply with all other applicable provisions of the Agreement. Upon termination or expiration of the Agreement for any reason, Franchisee's right to use "Rush Bowls," the other Marks, and the System will terminate immediately in all respects. Franchisee will not thereafter conduct or promote any business under any name or in any manner that might tend to give the general public the impression that Franchisee is continuing to operate as a franchisee.

Without limiting the generality of the foregoing, Franchisee will immediately cease all marketing or advertising that includes any of the Marks, delete all content containing the Marks or any references to Franchisor or Franchisee's Restaurant from any webpage maintained by Franchisee, and cease using any items or materials that bear or include any of the Marks.

20.2. Alteration of Franchised Location. If the Agreement expires or is terminated for any reason or if the Franchised Location ever ceases to be used for Franchisee's Restaurant, then within 30 days after the date of the expiration or termination of the Agreement, Franchisee will alter, modify, and change both the exterior and interior appearance of the building and the Franchised Location so that it will be clearly distinguished from the standard appearance of a Restaurant at Franchisee's expense. At a minimum, such changes and modifications to the Franchised Location will include, without limitation:

(a) Repainting and recovering both the exterior and interior walls of the Franchised Location with totally different colors including removing any distinctive colors and designs from the walls;

(b) Removing all furniture, fixtures, and other décor items associated with Rush Bowls Restaurants and replacing them with other décor items not of the general type and appearance customarily used in Rush Bowls Restaurants;

(c) Removing all exterior and interior Signs; and

(d) Immediately discontinuing use of the approved wall décor items and window decals, and refraining from using any items that may be confusingly similar to those used in Restaurants.

20.3. Telephone Listings. Upon termination or expiration of the Agreement or if Franchisor acquires Franchisee's Restaurant under the Agreement, Franchisor will have the absolute right to notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use all telephone numbers and any classified or other directory listings for Franchisee's Restaurant and to authorize the telephone company and all listing agencies to transfer to Franchisor or its assignee all telephone numbers and directory listings of Franchisee's Restaurant. Franchisor has the absolute right and interest in and to all telephone numbers and directory listings associated with the Marks and Franchisee authorizes Franchisor to direct the telephone company and all listing agencies to transfer Franchisee's telephone numbers and directory listings to Franchisor or to an assignee of Franchisor if the Agreement is terminated or expires or

Franchisor acquires Franchisee's Restaurant. The telephone company and all listing agencies may accept the Agreement as evidence of the exclusive rights of Franchisor to such telephone numbers and directory listings and the Agreement will constitute the authority from Franchisee for the telephone company and listing agency to transfer all such telephone numbers and directory listings to Franchisor. The Agreement will constitute a release of the telephone company and listing agencies by Franchisee from any Claims and Damages that Franchisee may at any time have the right to allege against them in connection with this Section 20.3. Franchisee will execute such documents as Franchisor may require for completing the transfer of the telephone numbers.

20.4. Continuation of Obligations. The indemnities, conditions, requirements, and covenants contained in the Agreement will continue in full force and effect subsequent to and notwithstanding the expiration or termination of the Agreement.

## 21. FRANCHISOR'S OPTION TO PURCHASE

21.1. Terms of Option. Franchisee will not Transfer or otherwise dispose of any interest in or any part of the Major Assets to any purchaser without first offering the same to Franchisor in a written offer that contains the purchase price, payment terms, and all other material terms and conditions of the proposed transaction with the third party including, without limitation, price and payment terms (the "Franchisee's Offer"). Franchisor will have 30 days after receipt of Franchisee's Offer to give Franchisee written notice that will either waive Franchisor's option to purchase (the "Waiver Notice") or state that Franchisor intends to exercise its rights to purchase or acquire the Major Assets according to the terms contained in Franchisee's Offer (the "Notice of Intent to Purchase").

21.2. Due Diligence Review. If Franchisor provides Franchisee with a Notice of Intent to Purchase within 30 days after receipt of Franchisee's Offer, then Franchisor will have 90 days after the date the Notice of Intent to Purchase is received by Franchisee (the "Notice Date") to conduct a due diligence review. Franchisee will promptly provide Franchisor with all Financial Information, Financial Records, and other information requested by Franchisor or its representatives to conduct the review. Franchisor will have the absolute and unconditional right to terminate the Notice of Intent to Purchase and any obligation to purchase the Major Assets from Franchisee for any reason and at any time during the 90-day review period by giving Franchisee written notice.

21.3. Good Faith Negotiations. Unless Franchisor terminates its Notice of Intent to Purchase as provided in Section 21.2, Franchisee and Franchisor will act in good faith to agree on the terms and conditions of the definitive agreement or agreements for the purchase of the Major Assets (other than those objective terms and conditions contained in Franchisee's Offer) and the closing date for the sale of the Major Assets to Franchisor will take place at the offices of Franchisor within 120 days after the Notice Date.

21.4. Sale to Purchaser. Franchisee may complete the transaction for the sale of the Major Assets to a purchaser according to the terms and conditions contained in Franchisee's Offer to Franchisor if:

(a) Franchisor delivers a Waiver Notice to Franchisee;

(b) Franchisor fails to deliver either a Waiver Notice or the Notice of Intent to Purchase to Franchisee within 30 days after receiving Franchisee's Offer;

(c) Franchisor terminates its Notice of Intent to Purchase during the due diligence period under the Section 21.2; or

(d) Franchisee and Franchisor fail to agree on the terms and conditions for the definitive agreement or agreements for the purchase of the Major Assets by Franchisor from Franchisee (other than those objective terms and conditions contained in Franchisee's Offer) on or before 120 days after the Notice Date.

21.5. Negotiated Changes with Purchaser. If Franchisor does not purchase the Major Assets from Franchisee under the terms and conditions contained in Franchisee's Offer, then if during any negotiations with the purchaser Franchisee agrees to negotiate, change, delete, or modify any of the terms and conditions contained in Franchisee's Offer or the terms and conditions contained in the most recent version of the definitive agreement or agreements proposed by Franchisee during negotiations that were not acceptable to Franchisor, Franchisee will re-offer to sell the Major Assets to Franchisor under the new terms and conditions offered to the purchaser in accordance with the provisions of this Section 21. Franchisee's failure to do so will be a material breach of the Agreement.

21.6. Financing Exception. This Section 21 will not apply to the Transfer of any of the Major Assets (with the exception of the Agreement) by Franchisee to a bank, financial institution, or other lender in connection with Franchisee's financing of:

(a) The real estate or leasehold improvements for the Franchised Location;

(b) The FF&E;

(c) Inventory or supplies for Franchisee's Restaurant; or

(d) Working capital required by Franchisee's Restaurant.

21.7. Compliance with Agreement. Franchisee's obligations under the Agreement including, without limitation, Franchisee's obligations to pay all Fees and to operate the business as a Restaurant will in no way be affected or changed because of non-acceptance by Franchisor of Franchisee's Offer. The decision by Franchisor not to exercise the option to purchase granted to it under this Section 21 will not in any way be deemed to grant Franchisee the right to terminate the Agreement and will not affect the term of the Agreement. If Franchisor does not exercise the option to purchase granted under Section 21 and Franchisee sells or otherwise disposes of the Major Assets to a third party, both Franchisee and the purchaser will be required to comply in all respects with the terms and conditions of Section 17 of the Agreement. Any Transfer of the Major Assets that does not include a Transfer of the Agreement to the transferee will constitute a wrongful termination of the Agreement by Franchisee.

21.8. Transfer of Ownership Interest. Franchisee and Owners will not Transfer any Ownership Interests owned by them until the Ownership Interests are first offered to Franchisor in writing under the same terms and conditions as those being offered to any other party. Franchisor will have 30 days from receipt of the offer to accept any offer to purchase the Ownership Interest in Franchisee. Any Owner will be required to comply with the provisions of Section 17.4 if Franchisor does not exercise its right to purchase such Owner's Ownership Interest.

21.9. Right of Franchisor to Purchase Major Assets. If: (i) the Agreement expires or is terminated by either Franchisor or Franchisee for any reason whatsoever; (ii) Franchisee wrongfully terminates the Agreement by failing to comply with Section 18; or (iii) Franchisee at any time ceases to do business as a Restaurant at any time, Franchisor will have the right, but not the obligation, to purchase from Franchisee any or all of the Major Assets for an amount equal to the lesser of: (i) fair market value; or (ii) the amount for which Franchisee purchased the Major Assets. If Franchisor and Franchisee are unable to agree upon a

fair market value, the fair market value will be ascertained by an independent business appraiser designated by Franchisor which decision will be final and binding and whose costs will be borne equally between the parties. If Franchisor elects to exercise this option, the date of determination of the fair market value will be the effective date of the termination or expiration of the Agreement and Franchisor will give Franchisee notice of its intent within 30 days following termination or expiration. Franchisor will notify Franchisee of the specific Major Assets that it wishes to purchase (the "Acquired Assets"). Franchisor may require that Franchisee assign the Lease to Franchisor at no additional charge. Franchisee will furnish a copy of Franchisee's then-current Financial Statements and Financial Statements for the prior three years (or the shorter period of time that Franchisee's Restaurant has been in operation if less than three years) to the independent business appraise and any other financial information or other documents that the appraiser requests. The appraiser will take into account all information and factors that they deem relevant, but the appraiser will be instructed that there will be no consideration of goodwill in the determination of fair market value. Once the appraised value has been determined, Franchisor will have at least 60 days to prepare for the closing. Franchisor will be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the Acquired Assets and Franchisee will transfer good and clean title to the Acquired Assets subject to any exceptions agreed to by Franchisor. Franchisor may deduct from the appraised value all amounts owed to Franchisor and Affiliates under the Agreement, any promissory note, and any other agreement between Franchisor or Affiliates and Franchisee. Nothing in this Section10.9 will be construed to prohibit Franchisor from enforcing the post-term obligations and conditions of the Agreement including, without limitation, the covenants not to compete described in Section 23.

21.10. Bankruptcy Issues. If Franchisee or any person or Entity holding any direct or indirect Ownership Interests in Franchisee becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law, any Transfer of Franchisee's obligations or rights hereunder, any material assets of Franchisee, or any indirect or direct interest in Franchisee will be subject to all of the provisions of this Section 21.

## 22. FRANCHISEE'S REPRESENTATIONS, WARRANTIES, AND COVENANTS

22.1. Organization. If Franchisee is an Entity, Franchisee and Owners represent, warrant, and covenant that:

(a) Franchisee is duly organized and validly existing under the law of the state or territory where Franchisee is formed;

(b) Franchisee is duly qualified and authorized to do business in the jurisdiction where the Restaurant is located and in each jurisdiction where Franchise conducts business, maintains offices, owns real estate, or where qualification is otherwise required;

(c) Franchisee's articles of incorporation, by-laws, operating agreement, member control agreement, partnership agreement, or other similar organizational documents (the "Organizational Documents") will provide that Franchisee's business activities will be confined exclusively to the ownership and operation of Franchisee's Restaurant at all times unless otherwise consented to in writing by Franchisor;

(d) The execution of the Agreement and the consummation of the transactions contemplated by the Agreement and the Franchise Operations Manual are within the powers granted to Franchisee by the Organizational Documents and have been duly authorized and approved by Franchisee or by the board of directors, board of governors, managing partner, or other governing body of Franchisee;

(e) Copies of all Organizational Documents and any other documents, agreements, or resolutions in Franchisee's possession will be provided to Franchisor upon written request;

(f) Attachment 3 to the Agreement completely and accurately describes all Owners and their interests in Franchisee as of the Effective Date. Franchisee and Owners will execute revised versions of Attachment 3 periodically to reflect any permitted changes in the information;

(g) Franchisee will maintain a current schedule of Owners and their Ownership Interests. Franchisee will immediately provide Franchisor with a copy of the updated schedule whenever there is any change of Ownership. The schedule will contain the name, address, telephone number, and e-mail address of each Owner and state the percentage of Ownership that each Owner has in Franchisee;

(h) If any person or Entity ceases to be an Owner or if any individual or Entity becomes an Owner, Franchisee will notify Franchisor in writing and within five days Franchisee the new Owner (and the new Owner's spouse, if applicable) will execute all documents required by Franchisor including, without limitation, an Owner's Agreement;

(i) The Organizational Documents and any documents representing Ownership in Franchisee will provide that no Ownership Interest in Franchisee may be assigned or transferred to any person or Entity except in strict compliance with the terms, conditions, and restrictions described in the Agreement;

(j) Franchisee has no accrued, unliquidated, absolute, or contingent material liabilities, adverse claims, commitments, or obligations of any nature as of the Effective Date except as disclosed to Franchisor in writing or set forth in Franchisee's financial statements that have been provided to Franchisor;

(k) Each Owner who owns at least 10% of the issued and outstanding Ownership Interests in Franchisee will execute the Owner's Agreement attached hereto as Attachment 2;

(l) Franchisee will maintain sufficient working capital to operate Franchisee's Restaurant and fulfill its obligations under the Agreement at all times and take steps to ensure availability of capital to fulfill Franchisee's obligations to maintain and Remodel Franchisee's Restaurant as required under the Agreement; and

(m) The representations, warranties, and covenants contained in this Section 22.1 are continuing obligations of Franchisee and Owners. Any failure to comply with such representations, warranties, and covenants will constitute a material breach of the Agreement.

22.2. Compliance with Agreement. Franchisee and Owners represent, warrant, and covenant that they will comply with all requirements and perform all obligations in accordance with the terms and conditions of the Agreement.

## 23. FRANCHISEE'S COVENANTS NOT TO COMPETE

23.1. Consideration. Franchisee and Owners acknowledge that Franchisee, the Designated Manager, its Executive Management, and employees will receive specialized training, marketing and advertising plans, business strategies, confidential recipes, cooking and food preparation information, and trade secrets from Franchisor pertaining to the System and the operation of Franchisee's Restaurant. As consideration for this information, Franchisee and Owners will comply in all respects with the provisions of this Section 23. This is a material provision of the Agreement and Franchisor will not sell a Franchise to any person or Entity that owns or intends to own, operate, or be involved in any Competitive Business; provided, however, that

Franchisor will exclude existing operational Restaurants owned and operated by Franchisee on the Effective Date from the obligations of Sections 23.2 and 23.3 and Franchisee may continue to own and operate such Restaurants during the term of the Agreement and thereafter subject to Franchisor's written consent. Franchisee warrants and represents that it does not own, operate, or have any involvement with or interest in any Competitive Business except as disclosed to and approved by Franchisor.

23.2. In-Term Covenant Not to Compete. During the term of the Agreement, Franchisee and Owners will not on their own account or as an employee, principal, agent, franchisee, independent contractor, consultant, affiliate, licensee, partner, officer, director, shareholder, member, manager, governor, or owner of any other person or Entity own, operate, lease, franchise, conduct, engage in, be connected with, finance or loan money to, have any interest in, perform services for, or assist any person or Entity engaged in any Competitive Business except with Franchisor's prior written consent.

23.3. Post-Term Covenant Not to Compete. Except as provided to the contrary in Section 23.1, for a period of 24 months after the termination or expiration of the Agreement, Franchisee and Owners will not on their own account or as an employee, principal, agent, franchisee, independent contractor, consultant, affiliate, licensee, partner, officer, director, shareholder, member, manager, governor, or owner of any other person or Entity, own, operate, lease, franchise, conduct, engage in, be connected with, finance or loan money to, have any interest in, or perform services for or assist any person or Entity engaged in any Competitive Business that is located within: (i) ten miles of the Franchised Location; (ii) ten miles of any other Restaurant; or (iii) any protected area or territory granted by Franchisor under an area development agreement or other territorial agreement. Franchisee and Owners expressly acknowledge that the time and geographical limitations set forth in this Section 23.3 are reasonable and necessary to protect Franchisor, Affiliates, Franchisor's franchisees, and developers if the Agreement expires or is terminated by either party for any reason and that this covenant not to compete is necessary to give Franchisor the opportunity to resell or develop a new Restaurant at or in the area near the Franchised Location.

23.4. Ownership of Public Companies. Notwithstanding the provisions of Sections 23.2 and 23.3, Franchisee and Owners may own up to 5% of any publicly-held company or mutual fund that owns, operates, has an interest in, or controls any Competitive Business provided that such company has a class of securities that is publicly traded on a national exchange or quotation system and is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended.

23.5. Injunctive Relief. The provisions of this Section 23 are necessary to protect the legitimate business interests of Franchisor, Affiliates, Franchisor's franchisees, and developers. Franchisee and Owners acknowledge that Damages alone cannot adequately compensate Franchisor if there is a breach of this Section 23 by Franchisee or Owners and that injunctive relief against Franchisee is essential for the protection of Franchisor, Affiliates, Franchisor's franchisees, and developers. If Franchisor alleges that Franchisee or Owners have breached this Section 23, Franchisor may petition a court with jurisdiction in the city where Franchisor's principal place of business is located (currently Westminster, Colorado) or any other competent jurisdiction for injunctive relief against Franchisee and Owners in addition to any other remedies available to Franchisor. Franchisor will not be required to post a bond or other security for any injunctive proceeding. If Franchisor is granted *ex parte* injunctive relief against Franchisee or Owners, Franchisee or Owners may petition the court for a hearing on the merits at the earliest time convenient to the court.

## 24. INDEPENDENT CONTRACTORS

24.1. Independent Contractors. Franchisor and Franchisee are each independent contractors and there is no employer-employee or principal-agent relationship between Franchisor and Franchisee. Franchisee may

not make any agreements, representations, or warranties in the name of or on behalf of Franchisor or represent that their relationship is other than that of franchisor and franchisee. Neither Franchisor nor Franchisee will be obligated by or have any liability to the other under any agreements or representations made by the other to a third party.

24.2. Operation of Restaurant. Franchisee will be totally and solely responsible for the operation of Franchisee's Restaurant and control, supervise, and manage all employees, agents, and independent contractors who work for or with Franchisee. Only Franchisee will have the right to hire and fire Franchisee's employees. Within seven days of Franchisor's request, Franchisee and each of its employees will sign an employment relationship acknowledgement form stating that Franchisee alone is the employee's employer and that Franchisee alone operates Franchisee's Restaurant. Franchisee will use its legal name on all documents for use with employees and contractors including, without limitation, employment applications, time cards, pay checks, and employment and independent contractor agreements. Franchisee will not use the Marks on any of these documents. Franchisee will be responsible for the acts of its employees, agents, and independent contractors and take all reasonable business actions necessary to ensure that its employees, agents, and independent contractors comply with all federal, state, and local laws, rules, and regulations including, without limitation, all discrimination laws, sexual harassment laws, and laws relating to the disabled. Franchisor will not have any right, obligation, or responsibility to control, supervise, or manage Franchisee's employees, agents, or independent contractors and will in no way be involved in the day-to-day operations of Franchisee's Restaurant.

## 25. INDEMNIFICATION

25.1. Indemnification. Franchisor, Affiliates, and their respective employees, Executive Management, shareholders, members, owners, attorneys, accountants, and agents (collectively, the "Indemnified Parties") will not be obligated to any person or Entity for any Damages arising out of, from, in connection with, or as a result of Franchisee's negligence, Franchisee's wrongdoing, or the operation of Franchisee's Restaurant. Except as provided for in Section 16.7, Franchisee will indemnify and hold harmless the Indemnified Parties against, and will reimburse the Indemnified Parties for, all Damages that the Indemnified Parties incur in the defense of or as a result of any Claim brought against the Indemnified Parties arising from, in connection with, arising out of, or as a result of Franchisee's negligence, Franchisee's wrongdoing, or the operation of Franchisee's Restaurant. Franchisee will indemnify the Indemnified Parties without limitation for all Damages arising from, out of, in connection with, or as a result of any Claims including, without limitation:

(a) Any personal injury, property damage, commercial loss, or environmental contamination resulting from any act or omission of Franchisee or its Executive Management, employees, agents, or representatives;

(b) Any failure on the part of Franchisee to comply with any requirement of any federal or state laws or any rules or regulations of any Governmental Authority;

(c) Any failure of Franchisee to pay any obligations to any person or Entity;

(d) Any failure of Franchisee to comply with any requirement or condition of the Agreement or any other agreement with Franchisor or the other Indemnified Parties;

(e) Any misfeasance or malfeasance by Franchisee or its Executive Management, employees, agents, or representatives;

(f) Any tort committed by Franchisee or its Executive Management, employees, agents, or representatives;

(g) Franchisee's employment or other contractual relationship with its employees, workers, Designated Manager, Managers, or independent contractors including, without limitation, any allegation, claim, finding, or ruling that Franchisor is an employer or joint employer of Franchisee's employees;

(h) Any fees, costs, or liabilities incurred by Franchisor on Franchisee's behalf including, without limitation, fees and costs incurred by Franchisor to recover amounts due to Franchisee on Franchisee's behalf; or

(i) Any other Claims brought against any of the Indemnified Parties. Franchisee will not be obligated to indemnify the Indemnified Parties for any Damages attributable to, arising out of, from, in connection with, or as a result of any negligence or wrongdoing by the Indemnified Parties. Any of the Indemnified Parties may defend any Claim arising from, as a result of, in connection with, or out of the operation of Franchisee's Restaurant.

25.2. Payment of Costs and Expenses. Franchisee will pay all attorneys' fees, costs, and expenses incurred by the Indemnified Parties to defend any action brought by a third party against any of the Indemnified Parties as set forth in Section 25.1. These indemnification provisions under this Section 25 and the other obligations contained in the Agreement will continue in full force and effect subsequent to and notwithstanding the expiration or termination of the Agreement.

## 26. LEASE AS SECURITY AND TERMINATION OF LEASE

26.1. Franchisee's Assignment of the Lease. For the purposes of this Section 26, an "Event of Default" will occur if:

(a) The Agreement is terminated by either Franchisor or Franchisee for any reason whatsoever;

(b) Franchisee wrongfully terminates the Agreement;

(c) Franchisee ceases to do business at the Franchised Location as a Restaurant at any time;

(d) The Agreement expires and Franchisee does not reacquire the Franchise as provided for in Section 2.2;

(e) The Lease is terminated by either the landlord or Franchisee for any reason whatsoever; or

(f) The Agreement expires and Franchisee fails to renew the Lease.

If an Event of Default occurs, Franchisor will have the right, but not the obligation, to take and assume the Lease for the remaining term of the Lease under the same terms and conditions as originally contracted for by Franchisee as specified in the Lease Addendum referenced in Section 12.1. The right granted by Franchisee to Franchisor to assume Franchisee's position as the tenant under the Lease will be at Franchisor's sole election and Franchisor will bear no responsibility for any of Franchisee's past-due obligations under the Lease.

26.2. Perfected Assignment and Notice. This assignment will constitute a perfected, absolute, and present assignment; provided, however, that Franchisor will have no right under this assignment to enforce

the provisions of the Lease until an Event of Default has occurred. After an Event of Default has occurred, Franchisor will have the right, but not the obligation, to enforce the provisions of this assignment and to take possession of the Franchised Location by giving Franchisee and the landlord written notice that it has affirmatively exercised its rights under this assignment. The written notice will state:

(a) That Franchisor is taking and assuming the Lease from Franchisee;

(b) The date that Franchisor will take physical possession of the Franchised Location; and

(c) That Franchisor will be bound by the terms and conditions of the Lease being assumed for the remaining term of the Lease.

Franchisor will execute the appropriate documents at the time it gives written notice to Franchisee and the landlord of its assumption of the Lease.

26.3. No Prior Assignment; Estoppel. Franchisee represents and warrants that:

(a) There has been no prior assignment of the Lease to a third party;

(b) Franchisee has the right to assign the Lease to Franchisor;

(c) The Lease is a valid and enforceable agreement;

(d) Neither the landlord nor Franchisee is in default to the other under the Lease; and

(e) All covenants, conditions, and agreements have been performed as required by the Lease.

No change in the terms of the Lease will be valid without Franchisor's written approval. Franchisee will not assign the Lease to a third party or encumber its interest in the Lease as long as this assignment is in effect. During the term of the Agreement, Franchisee will not lease or sublease any part of the Franchised Location without Franchisor's prior written consent.

26.4. Enforcement of Franchisee's Rights. Franchisee irrevocably constitutes and appoints Franchisor as its attorney-in-fact to demand, receive, and enforce Franchisee's rights with respect to the Lease, make payments under the Lease, and give appropriate receipts, releases, and satisfactions for and on behalf of and in the name of Franchisee or in the name of Franchisor at Franchisor's option with the same force and effect as Franchisee could if the assignment had not been made. This appointment is coupled with an interest and is irrevocable.

26.5. Franchisor's Rights and Remedies. If Franchisor elects not to take physical possession of the Franchised Location following termination or expiration of the Agreement, Franchisor may enter upon the premises to ensure that the alterations required under Section 20.2 are made.

26.6. Proration of Rents and Expenses. When Franchisor takes physical possession of the Franchised Location, all charges, real estate taxes, utilities, and rentals will be prorated between Franchisor and Franchisee. Franchisor will have no obligation to pay any past-due obligations or arrearages of Franchisee to any person or Entity including, without limitation, the landlord.

26.7. Possession and Obligations of Franchisor and Franchisee. Franchisor will hold Franchisee harmless from any obligations to the landlord including, without limitation, rental payments arising out of

the use of the Franchised Location from the date that Franchisor takes physical possession of the Franchised Location. Franchisee will pay all amounts due to the landlord and other parties under the Lease including, without limitation, rentals, insurance, rental overrides, real estate taxes, repairs, and maintenance up to and including the date that Franchisor takes physical possession of the Franchised Location. With the specific and limited exception of rental payments and other obligations to the landlord arising from Franchisor's use of the Franchised Location after taking physical possession of the premises, Franchisee will indemnify and hold Franchisor harmless from and against any Claims and Damages to which Franchisor may become exposed or which Franchisor may incur by exercising any of its rights under this assignment.

26.8. Assignment by Franchisor. Franchisor may assign its right, title, and interest in the Lease to any persons or Entities upon written notice to Franchisee and the landlord without any consent whatsoever from Franchisee or the landlord. Any such assignment to any person or Entity will be valid and binding upon Franchisee and the landlord as fully as if each had expressly approved the same. Subject to the limitation on further assignment by Franchisee contained in Section 26.3, this assignment will be binding upon and inure to the benefit of the heirs, legal representatives, assigns, and successors in interest of Franchisee, Franchisor, and the landlord.

26.9. Lease Not Yet Executed. If Franchisee has not yet entered into the Lease for the Franchised Location when the Agreement is executed, the provisions of Section 26 of the Agreement will take effect immediately upon the execution of the Lease. The representations of Franchisee contained in Section 26.3 will be true and complete as of and deemed to have been made when the Lease is executed. Franchisee will execute all additional documents required by Franchisor's attorneys to perfect the assignment of the Lease.

## 27. DISPUTE RESOLUTION AND ENFORCEMENT

27.1. Mediation. Except as provided in Section 27.8, all claims or disputes between Franchisee and Franchisor or Affiliates arising out of or in any way relating to the Agreement or any other agreement between Franchisee and Franchisor or Affiliates, or any of the parties' respective rights and obligations arising from such agreement (each, a "Dispute") will be submitted first to mediation at Franchisor's option to take place in Westminster, Colorado at a location of Franchisor's choice under the auspices of the American Arbitration Association (the "AAA") in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or Affiliates with respect to any Dispute, Franchisee will submit a notice to Franchisor that specifies in detail the precise nature and grounds of such Dispute. Franchisor will have a period of 30 days following receipt of such notice to notify Franchisee as to whether Franchisor or Affiliates elects to exercise its option to submit such Dispute to mediation. Franchisee may not commence any action against Franchisor or Affiliates with respect to any such Dispute in any court unless Franchisor fails to exercise its option to submit such Dispute to mediation or mediation proceedings have been terminated as the result of a written declaration by: (i) the mediator that further mediation efforts are not worthwhile; or (ii) by Franchisor. Franchisor's rights to mediation as set forth herein may be specifically enforced by Franchisor. Each party will bear its own costs of mediation and share any mediator's fees equally. Notwithstanding the foregoing, the parties will not be required to first attempt to mediate a Dispute through mediation as set forth in this Section 27.1 if such Dispute concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Marks, the System, trade secrets, Confidential Information, or specialized or proprietary software, training, or other materials; (ii) any of the restrictive covenants contained in the Agreement; and (iii) any of Franchisee's payment obligations.

27.2. Litigation. Franchisor and Franchisee expressly consent to personal jurisdiction in Colorado. Any actions arising out of or related to the Agreement will be initiated and litigated exclusively in the state court

of general jurisdiction over the city of Westminster, Colorado, or the United States District Court for the District of Colorado, Denver Division. Franchisee acknowledges that the Agreement is entered into in Colorado and Franchisee will receive valuable and continuing services from Franchisor's headquarters in Westminster, Colorado including, without limitation, training, assistance, support, and development of the System. In recognition of such services and their origin, Franchisee irrevocably consents to the personal jurisdiction and venue of the state and federal courts of Colorado as set forth in this Section 27 and waives any objections it would otherwise have concerning such matters.

27.3. Fees and Costs. If Franchisee breaches any term of the Agreement or any other agreement with Franchisor or Affiliates, Franchisee will reimburse Franchisor for all reasonable attorneys' fees and other expenses Franchisor incurs relating to such breach regardless of whether the breach is cured prior to the commencement of any dispute resolution proceedings. Except for any claim brought by Franchisor as the result of a breach of the Agreement by Franchisee, if Franchisor or Franchisee enforces the Agreement in a judicial proceeding, each party will bear its own costs, expenses, and fees associated with such judicial proceeding including, without limitation, fees for accountants, attorneys, and expert witnesses, costs of investigations and proof of facts, court costs, travel and living expenses, and any other dispute-related expenses. If either party commences any legal action or proceeding in any court in contravention of the terms of the Agreement, that party will pay all costs and expense that the other party incurs in the action or proceeding including, without limitation, costs and attorneys' fees.

27.4. Binding on Third Parties. The provisions of this Section 27 are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of the Agreement. All applicable statutes of limitation and defenses based on the passage of time are tolled while the dispute resolution procedures described in this Section 27 are pending. The parties will take any action required to effectuate such tolling. Each party will continue to perform its obligations under the Agreement pending final resolution of any Dispute under this Section 27 unless to do so would be impossible or impracticable under the circumstances.

27.5. Governing Law and Jury Trial Waiver. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 *et seq.)* or other applicable law, the Agreement will be interpreted under the laws of Colorado and any Disputes will be governed by and determined in accordance with the substantive laws of Colorado which laws will prevail in the event of any conflict of law. FRANCHISOR, AFFILIATES, FRANCHISEE, AND FRANCHISEE'S AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.

27.6. Limitation on Action. Except for payments owed by one party to the other, any legal action brought or instituted for any Dispute arising from or related to the Agreement will be brought or instituted within a period of two years from the date of discovery of the conduct or event that forms the basis of the legal action. Any legal action brought or instituted after such two-year period will be barred subject to applicable law.

27.7. No Bar to Termination. The provisions of this Section 27 will not bar, override, delay, or in any way restrict Franchisor's right to terminate the Agreement under Section 18 or Section 19 or obtain any legal relief for a breach of the Agreement by Franchisee including, without limitation, obtaining a temporary or permanent injunction.

27.8. Claims Not Subject to Mediation. Notwithstanding Section 27.1, any action for equitable relief including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, or other relief in the nature of equity concerning an allegation by Franchisor that Franchisee: (i) has violated or threatens to violate Franchisee's obligations regarding the use of the Marks or the System by Franchisee;

(ii) has violated or threatens to violate Franchisee's obligations upon termination or expiration of the Agreement; (iii) has violated or threatens to violate any provisions of the Agreement by Franchisee relating to Confidential Information and the provisions of Section 23 relating to the interpretation, construction, or enforcement of the restrictive covenants thereunder; (iv) has not met Franchisee's payment obligations under the Agreement; (v) has harmed or threatens any harm to Franchisor's tangible or intangible property; or (vi) is subject to any action in ejectment or for possession of any interest in real or personal property will not be subject to mediation at Franchisor's option. Such actions may be brought in a court of competent jurisdiction at any time including, without limitation, during the pendency of any mediation proceedings.

27.9. Payments to Franchisor. Franchisee will not withhold the payment of any Fees due to Franchisor for alleged nonperformance by Franchisor of any of its obligations under the Agreement or any other contract between Franchisor and Franchisee or for any other reason. Franchisee will not offset or withhold any liquidated or unliquidated amounts, Damages, or other funds allegedly due to Franchisee by Franchisor against any Fees due to Franchisor by Franchisee. Franchisor may deduct any Fees or other payments owed to Franchisor, Affiliates, or a third party from amounts payable to Franchisee by Franchisor or Affiliates. Franchisor may apply payments made to Franchisor by Franchisee in any order as Franchisor determines. With respect to Franchisee and Affiliates, Franchisor may:

(a) Apply any payments received to any past due, current, future, or other indebtedness of any kind regardless of any payment designation by Franchisee, except that Brand Fund Contributions may only be credited to the Brand Fund;

(b) Set off any amount owed to Franchisor, the Brand Fund, or any other fund or account with any amounts allegedly owed by Franchisor to Franchisee; and

(c) Retain any amounts received for Franchisee's account or that of any affiliate of Franchisee) as a payment against any amount owed to Franchisor.

Franchisor may exercise any of the foregoing rights in connection with amounts owed to or from Franchisor or Affiliates. Unless expressly provided otherwise, all payments made by Franchisee to Franchisor under the Agreement are non-refundable under any circumstances.

27.10. Effect of Wrongful Termination. If either Franchisor or Franchisee takes any action to terminate the Agreement or Franchisee takes any action to convert Franchisee's Restaurant to another business without first complying with the terms and conditions of the Agreement including, without limitation, Sections 18 or 19, then:

(a) Such actions will not relieve either party of or release either party from any of its obligations under the Agreement;

(b) The terms and conditions of the Agreement will remain in full force and effect; and

(c) The parties will be obligated to fully perform all terms and conditions of the Agreement until such time as the Agreement expires or is terminated in accordance with the provisions of the Agreement and applicable law.

## 28. MISCELLANEOUS

28.1. Severability. All provisions of the Agreement are severable and the Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially

valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable law or rule of any jurisdiction requires a greater prior notice of the termination of the Agreement than is required hereunder or the taking of some other action not required hereunder, or if under any applicable law or rule of any jurisdiction, any provision of the Agreement or any specification, standard, or operating procedure prescribed by Franchisor is invalid or unenforceable under applicable law, then the prior notice or other action required by such law or rule will be substituted for the notice requirements hereof, or such invalid or unenforceable provision, specification, standard, or operating procedure will be modified to the extent required to be valid and enforceable. Such modifications to the Agreement will be effective only in the applicable jurisdiction.

28.2. Waiver. By written instrument signed by Franchisor and Franchisee, the parties may waive any obligation of or restriction upon the parties under the Agreement. Acceptance by Franchisor of any payment by Franchisee or Franchisee's failure, refusal, or neglect to exercise any right under the Agreement or insist upon full compliance by Franchisee of its obligations hereunder will not constitute an ongoing waiver by Franchisor of any provision of the Agreement. Franchisor will have the absolute right to waive obligations or restrictions for other franchisees and developers without waiving those obligations or restrictions for Franchisee and Franchisor may negotiate terms and conditions, grant concessions, or waive obligations for other franchisees and developers without granting those same rights to Franchisee or incurring any liability to Franchisee whatsoever subject to applicable law.

28.3. No Oral Modification. No modification, change, addition, rescission, release, amendment, or waiver of the Agreement and no approval, consent, or authorization required by any provision of the Agreement may be made by any person except by a written agreement signed by a duly authorized officer or partner of Franchisee and Franchisor's Chief Executive Officer or Chief Financial Officer.

28.4. Entire Agreement. The Agreement supersedes and terminates all prior oral or written agreements between the parties involving the franchise relationship. Any representations, inducements, promises, or agreements alleged by either Franchisor or Franchisee that are not contained in the Agreement will not be enforceable. The Introduction is part of the Agreement and there are no other oral or written understandings or agreements between Franchisor and Franchisee relating to the subject matter of the Agreement. The Agreement will not supersede any written agreements or contracts that are signed concurrently with the Agreement. Any area development agreements or other franchise agreements between the parties will remain in full force and effect in accordance with the terms and conditions thereof and not be superseded by the Agreement. The parties acknowledge that this provision will not act as a disclaimer of any representations made by Franchisor in the Franchise Disclosure Document provided to Franchisee prior to Franchisee's execution of the Agreement.

28.5. Headings and Terms. The headings of the Sections are for convenience only and do not in any way define, limit, or construe the contents of such Sections. The term "Franchisee" as used herein is applicable to one or more individuals or an Entity, as the case may be, and the singular usage includes the plural, the masculine usage includes the neuter and the feminine, and the neuter usage includes the masculine and the feminine. References to "Franchisee," "assignee," and "transferee" that are applicable to an individual or individuals means owners of the equity or operating control of Franchisee or any such assignee or transferee if Franchisee or such assignee or transferee is an Entity.

28.6. Miscellaneous. The rights of Franchisor hereunder are cumulative and no exercise or enforcement by Franchisor of any right or remedy hereunder will preclude the exercise or enforcement by Franchisor of any other right or remedy hereunder or which Franchisor is entitled by law to enforce. The Agreement is binding upon the parties hereto and their executors, administrators, heirs, assigns, and successors in interest.

If Franchisee consists of more than one person or Entity, their liability under the Agreement will be joint and several.

28.7 Operation if Absence or Disability Occurs and Step-In Rights. To prevent any interruption of Franchisee's Restaurant's operations that would cause harm to the Franchise and lessen the value thereof, Franchisor has the right, but not the obligation, to step-in and designate an individual of Franchisor's choosing (an "Interim Manager") for so long as Franchisor deems necessary and practical to temporarily manage Franchisee's Restaurant: (i) if Franchisee fails to comply with any provision of the Agreement and does not cure the failure within the time period specified by the Agreement or by Franchisor; (ii) if Franchisor determines in its sole judgment that the operation of Franchisor's Restaurant is in jeopardy; (iii) if Franchisor determines in Franchisor's sole discretion that operational problems require Franchisor to operate Franchisee's Restaurant; (iv) if Franchisee abandons or fails to actively operate Franchisee's Restaurant; (v) upon Franchisee or the Designated Manager's absence, termination, illness, death, incapacity, or disability; or (vi) if Franchisor deems Franchisee or the Designated Manager incapable of operating Franchisee's Restaurant (collectively, "Step-in Rights"). If Franchisor exercises the Step-In Rights:

(a) Franchisee will pay Franchisor $400 per day that the Interim Manager manages Franchisee's Restaurant, the Interim Manager's direct out-of-pocket costs and expenses, and all other amounts due under the Agreement;

(b) All monies from the operation of Franchisee's Restaurant during such period of operation by Franchisor will be kept in a separate account and the expenses of Franchisee's Restaurant including, without limitation, fees paid to the Interim Manager will be charged to said account;

(c) Franchisee acknowledges that the Interim Manager will have a duty to utilize only reasonable efforts and not be liable to Franchisee or Owners for any debts, losses, or obligations Franchisee's Restaurant incurs, or to any of Franchisee's creditors for any supplies, products, or other assets or services Franchisee's Restaurant purchases while the Interim Manager manages it;

(d) The Interim Manager will have no liability to Franchisee except to the extent directly caused by the Interim Manager's gross negligence or willful misconduct. Franchisor will have no liability to Franchisee for the activities of the Interim Manager unless Franchisor is grossly negligent in appointing the Interim Manager. Franchisee will indemnify and hold harmless Franchisor, the Interim Manager, and any representative of Franchisor who may act hereunder for any of acts or omissions with respect to the interests of Franchisee or third parties; and

(e) Franchisee will pay all of Franchisor's reasonable attorney's fees and costs incurred from Franchisor's exercise of the Step-In Rights.

Nothing contained herein will prevent Franchisor from exercising any other right that it may have under the Agreement including, without limitation, termination.

## 29. NOTICES

All notices to a party will be in writing and made by personal service upon such party or sent by prepaid certified mail addressed to the party at the following addresses:

To Franchisor: Rush Bowls Franchising, LLC
11031 Sheridan Boulevard
Suite One
Westminster, Colorado 80020
Attention: Andrew Pudalov

To Franchisee: The address set forth in Attachment 1

or such other address as a party may designate in writing to the other party. For the purposes of the Agreement, personal service will include service by a recognized overnight delivery service (such as FedEx, Airborne Express, or UPS) that requires written confirmation of delivery to the addressee. Any notice delivered in the manner specified herein will be deemed delivered and received, regardless of whether the recipient refuses or fails to sign for the notice, if addressed to the recipient at the address set forth above or the last designated or last known address of the recipient, and effective upon written confirmation of delivery to the recipient or three business days after being mailed as applicable.

## 30. DISCLAIMER AND ACKNOWLEDGMENTS

30.1. Disclaimer. Franchisor does not warrant or guarantee that Franchisee will derive income or profit from Franchisee's Restaurant or that Franchisor will refund any part of the Initial Franchise Fee paid by Franchisee or repurchase any of the Products and Services, technology, or FF&E supplied or sold by Franchisor or an Approved Supplier if Franchisee is in any way unsatisfied with Franchisee's Restaurant or the Franchise. Franchisor expressly disclaims any express or implied representations or warranties regarding the sales, earnings, income, profits, revenues, economics, business or financial success, or value of Franchisee's Restaurant except as specifically contained in the Franchise Disclosure Document received by Franchisee.

30.2. Franchisee's Acknowledgments. Franchisee acknowledges that Franchisee has conducted an independent investigation of the Franchise and recognizes that the business venture contemplated by the Agreement and the operation of Franchisee's Restaurant involves business and economic risks. Franchisee acknowledges that the financial, business, and economic success of Franchisee's Restaurant will be primarily dependent upon: (i) the personal efforts of Franchisee, its management, and employees; (ii) economic conditions in the area where the Franchised Location is located; and (iii) economic conditions in general. Franchisee acknowledges that Franchisee's officers, directors, employees, and agents act only in a representative capacity and not in an individual capacity and that no other persons or Entities other than Franchisor has or will have any duties or obligations to Franchisee under the Agreement. Franchisee acknowledges that Franchisee has not received any estimates, projections, representations, express or implied warranties or guaranties regarding potential sales, revenues, income, profits, earnings, expenses, financial or business success, value of Franchisee's Restaurant, or other economic matters pertaining to Franchisee's Restaurant from Franchisor or any of its agents that were not expressly set forth in the Franchise Disclosure Document received by Franchisee from Franchisor (collectively, "Representations"). Franchisee acknowledges that if Franchisee had received any such Representations, Franchisee would have not have executed the Agreement, promptly notified Franchisor's Chief Executive Officer in writing of the person or persons making such Representations, and provided a specific written statement to Franchisor detailing the Representations made to Franchisee.

30.3. Other Franchisees. Franchisee acknowledges that other franchisees and developers have or will be granted franchises at different times and different locations under different economic conditions in different situations. Franchisee acknowledges that the economic terms and conditions of such other franchises may vary substantially in form and in substance from those contained in the Agreement.

30.4. Receipt of Agreement and Franchise Disclosure Document. Franchisee acknowledges that Franchisee received a copy of the Agreement with all material blanks fully completed at least seven calendar days prior to the date that the Agreement was executed by Franchisee. Franchisee acknowledges that Franchisee received a copy of Franchisor's Franchise Disclosure Document at least 14 calendar days prior to the date upon which the Agreement was executed. Franchisee confirms receiving the Franchise Disclosure Document on the date Franchisee signed the acknowledgment of receipt page (the "Receipt Page") attached to the Franchise Disclosure Document. Franchisee and Franchisor each acknowledge receiving a signed and dated copy of the Receipt Page.

30.5. Franchisor's Consent. Except where expressly provided to the contrary, Franchisor may determine if any consent, approval, authorization, clearance, exemption, waiver, or similar affirmation required from or by Franchisor will be granted or withheld in Franchisor's sole discretion.

## 31. FRANCHISEE'S LEGAL COUNSEL

Franchisee acknowledges that the Agreement constitutes a legal document that grants certain rights to and imposes certain obligations upon Franchisee. Franchisee has been advised by Franchisor to retain an attorney or advisor prior to the execution of the Agreement to: (i) review the Franchise Disclosure Document; (ii) review the Agreement in detail; (iii) review all legal documents relating to the Franchise including, without limitation, the Lease; (iv) review all purchase agreements and architectural and construction contracts; (v) evaluation the economics, operations, and other business aspects of Franchisee's Restaurant; (vi) determine required compliance with applicable laws; (vii) advise Franchisee of economic risks, liabilities, obligations, and rights under the Agreement; and to (viii) advise Franchisee of tax issues, financing matters, applicable state and federal laws, health and safety laws, environmental laws, employee issues, insurance, structure of Franchisee's Restaurant, and other legal and business matters. The name and telephone number of Franchisee's attorney or other advisor is included in the Addendum to the Agreement.

## 32. DEFINITIONS

For purposes of the Agreement, terms in the Agreement will have the following definitions:

32.1. "Accounting Period" means a four-Week period.

32.2. "Accounting Year" means Franchisee's fiscal year consisting of 13 Accounting Periods. The definition of Accounting Year may be further defined or modified in the Franchise Operations Manual or otherwise in writing by Franchisor in the future to address business practices and/or changes in the Internal Revenue Code.

32.3. "Affiliate" means any Entity or individual that directly or indirectly owns or controls, is owned or controlled by, or is under common ownership or control with Franchisor.

32.4. "Approved Supplier" means a supplier, vendor, or distributor that has been approved in writing by Franchisor to supply certain products or services to Franchisee because its products or services meet Franchisor's standards and specifications.

32.5. "Area Development Agreement" means an agreement entered into between Franchisor and Franchisee granting Franchisee or an Entity owned by Franchisee or Owners the right to develop Franchisee's Restaurant at the Franchised Location.

32.6. "Brand Fund" means the fund maintained by Franchisor to account for the Brand Fund Contributions received by Franchisor under Section 4 and the expenditure of the Brand Fund Contributions.

32.7. "Franchise Operations Manual" means the confidential and copyrighted standard operations manual developed by Franchisor for the day-to-day operations of Restaurants and any other written materials or directions provided by Franchisor to Franchisee in connection with the Franchise.

32.8. "Claims" means any demands, complaints, filings, assertions, requests for payment or compensation, challenges, allegations of liability, causes of action, or lawsuits.

32.9. "Competitive Business" means any business that: (i) sells or offers to sell products the same as or similar to the products sold by Franchisee in or from Franchisee's Restaurant including, without limitation, products Franchisor authorizes; or (ii) provides or offers to provide services the same as or similar to the services sold by Franchisee in or from Franchisee's Restaurant including, without limitation, services Franchisor authorizes, but excludes a Rush Bowls business operated by Franchisee under a franchise agreement with Franchisor.

32.10. "Confidential Information" means all of the business, technology, marketing, operational, and proprietary information developed, created, owned, or licensed by Franchisor including, without limitation, the following:

(a) Plans and specifications relating to the construction of any Restaurant, drawings and renderings, FF&E specifications and pricing, the names of all Approved Suppliers, pricing information for any Products and Services sold to any Restaurant, unpublished menus and menu designs, and all food recipes and cooking techniques;

(b) Restaurant information, practices, procedures, processes, "know how," and Franchisor's business and operational systems;

(c) Marketing strategies, programs, and concepts, training programs, the Franchise Operations Manual and related materials, and operational and business development concepts;

(d) Exclusive sales and marketing processes taught to Franchisee's personnel during any Training;

(e) Training programs and materials;

(f) Trade secrets, intellectual property, proprietary databases, computer processes, computer systems, software programs, and source code for software programs excluding commercially available off-the-shelf third party software programs;

(g) Copyrighted materials that have not been publicly disclosed by Franchisor and marked as "confidential;"

(h) Franchisor's patents including pending patents;

(i) Password-protected websites designed, created, and developed by Franchisor including, without limitation, all passwords, text, content, color schemes, images, graphics, information, look and feel, layout, methodology, metrics, graphical interfaces, and functionality; and

(j) Any other written materials disclosed to Franchisee that have been designated as "confidential" by Franchisor. Franchisee and its employees and agents will not disclose to any person or Entity the name, address, or any other information relating to any customers of any Restaurant including Franchisee's Restaurant except as authorized electronically or in writing by the customer.

Confidential Information will not include information which: (i) at or prior to the time of receipt was in the public domain; (ii) at or prior to the time of receipt by Franchisee or the signing of the Agreement was known to Franchisee and in actual commercial use by Franchisee or generally within the industry in the manner and combination disclosed; or (iii) is subsequently received by Franchisee from an independent third party not in breach of any duty of nondisclosure, secrecy, nonuse, or similar duty, but only to the extent and in the form, manner, and combination so disclosed.

32.11. "Damages" means all judgments, losses, injuries, awards, reparations, penalties, interest, punitive damages, lost profits, pecuniary compensation, court costs, attorneys' fees or litigation out-of-pocket costs, settlement payments, deposition and pre-trial costs, mileage, Travel Expenses, investigation fees, and any other amounts paid or incurred as a result of any Claims.

32.12. "EFT" means the process relating to the electronic transfer of Fees directly from Franchisee's account to Franchisor's account as further described in Section 6.2.

32.13. "Entity" means a corporation, limited liability company, partnership, limited partnership, or any other type of legal entity formed in compliance with applicable law.

32.14. "Executive Management" means: (i) the officers and directors specified in the by-laws if Franchisee is a corporation; (ii) the manager, chief manager, managers, or governors specified in the operating agreement or by-laws if Franchisee is a limited liability company; or (iii) the general partners if Franchisee is a partnership or a limited partnership.

32.15. "Fees" collectively means the Initial Franchise Fee, the Royalties, the Brand Fund Contributions, and any other amounts due and payable by Franchisee to Franchisor under the Agreement or any other agreement or for any products or services purchased by Franchisee from Franchisor or Affiliates.

32.16. "FF&E" means the furniture, fixtures, supplies, and equipment used in the operation of Franchisee's Restaurant.

32.17. "Financial Records" means any accounting records and ledgers maintained in a written form, on a computer disk or hard drive, and in any other electronic or other form including, without limitation, sales ledgers, work papers, general ledgers, summaries, schedules, bank statements, cancelled checks, bank deposit slips, federal and state income tax returns, state sales tax returns, Financial Statements, daily cash register tapes, and other financial information.

32.18. "Financial Statements" means a balance sheet, profit and loss statement, statement of cash flows, and explanatory footnotes prepared in accordance with generally accepted accounting principles applied on a consistent basis.

32.19. "Franchise" means the right granted by Franchisor to Franchisee under the Agreement authorizing Franchisee to operate a Restaurant at the Franchised Location in conformity with the System using the name "Rush Bowls" and the other Marks.

32.20. "Franchised Location" means the address, city, and state set forth in Attachment 1 where Franchisee's Restaurant will be physically located.

32.21. "Governmental Authority" means any governmental department, commission, board, bureau, agency, court, or other instrumentality of the United States including, without limitation, federal, state, district, or commonwealth thereof, and any foreign government or any jurisdiction, municipality, or other political subdivision thereof.

32.22. "Gross Sales" means the total of all revenues and income from the sale of all food products, beverages, and other related merchandise, products, and services to Franchisee's customers whether or not sold or performed at or from Franchisee's Restaurant, and whether received in cash, coupon, services in kind, from barter or exchange, on credit (whether or not payment is received), or otherwise. If Franchisee offers any services including, without limitation, catering or special events, all receipts from these services (including additional delivery charges) are included in Gross Sales. Gross Sales will not include: (i) the amount of all sales tax receipts or similar tax receipts that are chargeable to customers by law if the taxes are separately stated when the customer is charged and paid to the appropriate taxing authority; or (ii) the amount of any documented refunds, chargebacks, credits, charged tips, and allowances Franchisee gives in good faith to Franchisee's customers. All barter or exchange transactions in which Franchisee furnishes services or products in exchange for goods or services provided to Franchisee by a vendor, supplier, or customer will be valued at the full retail value of the goods or services so provided to Franchisee, for the purpose of determining Gross Sales.

32.23. "Lease" means the written lease agreement and related documents signed by Franchisee for the Franchised Location.

32.24. "Major Assets" means: (i) Franchisee's Restaurant; (ii) the Franchised Location; (iii) the Lease; (iv) the FF&E, inventory, point-of-sale system, customer lists, and any other assets used in Franchisee's Restaurant; (v) the Agreement; (vi) any Ownership Interest in Franchisee; (vii) all FF&E leases; and (viii) the land, building, and related real estate used for Franchisee's Restaurant if Franchisee owns the land, building, or real estate.

32.25. "Management Staff" means Franchisee's Designated Manager designated in accordance with the provisions of the Agreement and any Managers.

32.26. "Manager" means any individual who assists the Designated Manager with the management and operation of Franchisee's Restaurant.

32.27. "Marks" means the name "Rush Bowls" and such other trademarks, trade names, service marks, logos, commercial symbols, phrases, slogans, and tag lines as Franchisor has or may create, own, develop, or license for use in connection with Restaurants.

32.28. "Owner" means any person or Entity who owns: (i) any shares of capital stock in Franchisee if Franchisee is a corporation; (ii) any membership interests in Franchisee if Franchisee is a limited liability company; (iii) any partnership interests in Franchisee if Franchisee is a partnership; (iv) any limited or general partnership interests if Franchisee is a limited partnership; and (v) any other kind or type of Ownership Interest in Franchisee. References to "Franchisee," "assignee," and "transferee" are applicable to: (i) an individual Owner of an Ownership Interest in Franchisee; and (ii) any Entity that has an Ownership Interest in Franchisee.

32.29. "Ownership Interests" means: (i) capital stock if Franchisee is a corporation; (ii) membership interests if Franchisee is a limited liability company; (iii) partnership interests if Franchisee is a partnership; (vi) limited or general partnership interests if Franchisee is a limited partnership; and (v) all other types and means of ownership or other legal interest in Franchisee.

32.30. "Products and Services" means the authorized or proprietary foods, food items, beverages, menu items, recipe ingredients, and FF&E specified in the Franchise Operations Manual or otherwise approved by Franchisor in writing that are: (i) used in the operation of Franchisee's Restaurant; (ii) used in the preparation of any foods or food items; or (iii) offered for sale to Franchisee's Restaurant's customers.

32.31. "Required Opening Date" means the date that is twelve months after the Effective Date unless Franchisee's Restaurant is being developed under an Area Development Agreement or other written agreement between Franchisee and Franchisor in which case the Required Opening Date will be the date specified in the Area Development Agreement or other written agreement between the parties.

32.32. "System" means the distinctive Products and Services that are associated with the Marks, copyrights, distinctive interior and exterior building designs, décor, furnishings, menus, uniforms, signs, color combinations, uniformity requirements, standards of consistency and quality, procedures, cleanliness, sanitation, controls, specifications, training, marketing, advertising, methodology, and instructions promulgated by Franchisor.

32.33. "Salaries and Benefits" means the salaries, fringe benefits, life insurance, medical insurance and retirement plans, payroll taxes, unemployment compensation, workers' compensation insurance, and any other expenses related to employment.

32.34. "Transfer" means a sale, assignment, pledge, bequeath, trade, transfer, lease, or sublease.

32.35. "Travel Expenses" means any costs incurred for travel, transportation, food, lodging, telephone calls, automobile rental, or any other related travel expenses.

32.36. "Week" means a period of seven consecutive days beginning on each Monday and ending each Sunday.

**IN WITNESS WHEREOF**, Franchisor and Franchisee have signed the Agreement effective as of the Effective Date.

| **FRANCHISOR:** | **FRANCHISEE:** |
|---|---|
| RUSH BOWLS FRANCHISING, LLC | _____ |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |

**ATTACHMENT 1**
**TO FRANCHISE AGREEMENT**

## DATA SHEET

1. Effective Date. The Effective Date is: _____, 20____.

2. Notice Address. The notice address for Franchisee set forth in Section 29 of the Agreement is:

_____
_____
_____.

3. Franchised Location and Protected Area. If a particular site for Franchisee's Restaurant has been selected and approved when the Agreement is signed, the site will be entered in Attachment 1-1 as the Franchised Location with the Protected Area. If a particular site for Franchisee's Restaurant has not been selected and approved when the Agreement is signed, Section 4 of this Attachment 1 will describe the location in general terms below. This general description does not confer any territory rights to Franchisee and is only for use as a reference. Franchisor may sell other franchised locations in the area described in the general description. After Franchisor has approved a particular site for Franchisee's Restaurant, Franchisor will enter the Franchised Location and the Protected Area in Attachment 1-1. As the Protected Area is dependent on the location of Franchisee's Restaurant, Franchisor will present Franchisee with the Protected Area upon identification of the site for Franchisee's Restaurant. If Franchisee does not wish to accept the proposed Protected Area, Franchisee may choose another site and Franchisor will present Franchisee with another Protected Area based on the site selected if such site is approved by Franchisor.

4. General Description of Area for Franchised Location (if the Franchised Location is not specified in Attachment 1-1 when the Agreement is signed). The Franchised Location will be within:

_____
_____
_____.

5. Operating Principal. Franchisee's Operating Principal: _____.

| **FRANCHISOR:** | **FRANCHISEE:** |
|---|---|
| RUSH BOWLS FRANCHISING, LLC | _____ |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |

**ATTACHMENT 1-1**

Franchisee has received approval for site location for Franchisee's Restaurant that satisfies the demographics and location requirements minimally necessary for a Restaurant and meets Franchisor's minimum current standards and specifications for the build-out, interior design, layout, floor plan, signs, designs, color, and décor of a Restaurant. Franchisee and Franchisor have mutually agreed upon a Protected Area based on the Approved Location for Franchisee's Restaurant indicated below. Franchisee acknowledges that the Protected Area is in conformance with the territory guidelines stated in Item 12 of the Franchise Disclosure Document.

1. Franchised Location for Restaurant. The Franchised Location for Franchisee's Restaurant as provided in Section 1.1 of the Agreement is:

_____
_____
_____.

2. Protected Area. The Protected Area as provided in Section 1.2 of the Agreement is:

_____
_____
_____.

| **FRANCHISOR:** | **FRANCHISEE:** |
|---|---|
| RUSH BOWLS FRANCHISING, LLC | _____ |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |

**ATTACHMENT 2**
**TO FRANCHISE AGREEMENT**

## OWNER'S AGREEMENT

As a condition to the execution by Rush Bowls Franchising LLC ("we" or "us") of a Rush Bowls Franchising LLC Franchise Agreement dated _____, 20___ (the "Franchise Agreement"), with _____ ("Franchisee"), the undersigned and their respective spouses (each, an "Owner") who constitute all of the owners of a direct or indirect beneficial interest in Franchisee covenant and agree to be bound by this Owner's Agreement (the "Owner's Agreement").

1. Acknowledgments.

1.1 Definitions. Capitalized words not defined in the Owner's Agreement will have the same meanings ascribed to them in the Franchise Agreement.

1.2 Role of Owners. Owners are the beneficial owners or spouses of the beneficial owners of all of the equity interests, membership interests, or other equity controlling interests in Franchisee and acknowledge there are benefits received and to be jointly and severally received by each Owner and their heirs, legal representatives, successors, and assigns. Franchisee's obligations under the Franchise Agreement including, without limitation, confidentiality and non-compete obligations are of little value to us if Owners are not bound by the same requirements. Under the provisions of the Franchise Agreement, Owners are required to enter into the Owner's Agreement as a condition to our entering into the Franchise Agreement. Owners will be jointly and severally liable for any breach of the Owner's Agreement.

2. Non-Disclosure and Protection of Confidential Information.

2.1 Confidentiality. Under the Franchise Agreement, we will provide Franchisee with specialized training, proprietary trade secrets, and other Confidential Information relating to the establishment and operation of Franchisee's Restaurant. The provisions of the Franchise Agreement governing Franchisee's non-disclosure obligations relating to our Confidential Information are hereby incorporated into the Owner's Agreement by reference and Owners will comply with each obligation as though fully set forth in the Owner's Agreement as a direct and primary obligation of Owners. We may seek the same remedies against Owners under the Owner's Agreement as we may seek against Franchisee under the Franchise Agreement. Any information, knowledge, know-how, techniques, and other data that we designate as confidential will be deemed Confidential Information for purposes of the Owner's Agreement.

2.2 Immediate Family Members. Owners acknowledge that they could circumvent the purpose of Section 2.1 by disclosing Confidential Information to an immediate family member (such as a spouse, parent, sibling, child, or grandchild). Owners acknowledge that it will be difficult for us to prove whether Owners disclosed the Confidential Information to family members. Each Owner agrees that he or she will be presumed to have violated the terms of Section 2.1 if any member of his or her immediate family uses or discloses the Confidential Information or engages in any activities that would constitute a violation of the covenants listed in Section 3 if performed by Owners. Owners may rebut this presumption by furnishing evidence conclusively showing that Owners did not disclose the Confidential Information to the family member.

3. Covenant Not to Compete.

3.1 Non-Competition During and After the Term of the Franchise Agreement. Owners acknowledge that as a participant in our system, they will receive proprietary and confidential information and materials, trade secrets, and unique methods, procedures, and techniques that we have developed. The provisions of the Franchise Agreement governing Franchisee's restrictions on competition both during the term of the Franchise Agreement and following the expiration or termination of the Franchise Agreement are incorporated into the Owner's Agreement by reference. Owners will comply with and perform each such covenant as though fully set forth in the Owner's Agreement as a direct and primary obligation of Owners. We may seek the same remedies against Owners under the Owner's Agreement that we may seek against Franchisee under the Franchise Agreement.

3.2 Construction of Covenants. Each such covenant related to non-competition will be construed as independent of any other covenant or provision of the Owner's Agreement. If any portion of a covenant referenced in this Section 3 is found unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, Owners will 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 the Owner's Agreement.

3.3 Our Right to Reduce Scope of Covenants. We may unilaterally reduce the scope of any part of any covenant referenced in the Owner's Agreement without Owners' consent in our sole discretion effective when we give Owners written notice of this reduction. Owners will comply with any covenant as so modified.

4. Guarantee.

4.1 Payment. Owners will pay us or Affiliates all monies payable by Franchisee under the Franchise Agreement or any other agreement on the required dates in the required manner.

4.2 Performance. Owners unconditionally guarantee full performance and discharge by Franchisee of all of Franchisee's obligations under the Franchise Agreement or any other agreement on the required dates in the required manner.

4.3 Indemnification. Owners will indemnify, defend, and hold harmless us, Affiliates, and our and their respective shareholders, directors, partners, employees, and agents against and from all losses, damages, costs, and expenses that we or they may sustain, incur, or become liable for by reason of: (i) Franchisee's failure to pay the monies payable to us or Affiliates under the Franchise Agreement or to do and perform any other act, matter, or thing required by the Franchise Agreement; or (ii) any action by us or Affiliates to obtain performance by Franchisee of any act, matter, or thing required by the Franchise Agreement.

4.4 No Exhaustion of Remedies. We will not be obligated to proceed against Franchisee, exhaust any security from Franchisee, or pursue or exhaust any remedy including, without limitation, any legal or equitable relief against Franchisee before proceeding to enforce the obligations of Owners as guarantors under the Owner's Agreement. The enforcement of such obligations may take place before, after, or contemporaneously with enforcement of any of Franchisee's debts or obligations under the Franchise Agreement.

4.5 Waiver of Notice. Without affecting Owners' obligations under the Owner's Agreement, we can extend, modify, or release any of Franchisee's indebtedness or obligation, or settle, adjust, or compromise

any claims against Franchisee without notice to Owners. Owners waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

4.6 Effect of Owner's Death. Upon the death of an Owner, the estate of such Owner will be bound by the obligations in the Owner's Agreement only for defaults and obligations hereunder existing at the time of death. The obligations of any other Owner will continue in full force and effect.

5. Transfers.

Owners acknowledge that we have granted the Franchise Agreement to Franchisee in reliance upon Owners' business experience, skill, financial resources, and personal character. Owners will not sell, encumber, assign, transfer, convey, pledge, merge, or give away any direct or indirect interest in Franchisee unless Owners first comply with the sections in the Franchise Agreement regarding transfers and assignment. Any attempt to do so will be a material breach of the Owner's Agreement and the Franchise Agreement.

6. Notices.

6.1 Method of Notice. Any notices given under the Owner's Agreement will be in writing and delivered in accordance with the provisions of the Franchise Agreement.

6.2 Notice Addresses. Our current address for all communications under the Owner's Agreement is:

Rush Bowls Franchising LLC
11031 Sheridan Boulevard
Suite One
Westminster, Colorado 80020
Attention: Andrew Pudalov

The current address of each Owner for all communications under the Owner's Agreement is designated on the signature page of the Owner's Agreement. Any party may designate a new address for notices by giving written notice to the other parties of the new address using the method set forth in the Franchise Agreement.

7. Enforcement of the Owner's Agreement.

7.1 Dispute Resolution. Any claim or dispute arising out of or relating to the Owner's Agreement will be subject to the dispute resolution provisions of the Franchise Agreement. The agreement to engage in such dispute resolution process will survive the termination or expiration of the Owner's Agreement.

7.2 Choice of Law, Jurisdiction, and Venue. The Owner's Agreement and any claim or controversy arising out of or relating to any rights or obligations under the Owner's Agreement and any other claim or controversy between the parties will be governed by the choice of law, jurisdiction, and venue provisions of the Franchise Agreement.

7.3 Provisional Remedies. We may seek any provisional remedies from a court of competent jurisdiction including, without limitation, temporary restraining orders or preliminary injunctions to enforce Owners' obligations under the Owner's Agreement. Owners acknowledge that there is no adequate remedy at law for Owners' failure to fully comply with the requirements of the Owner's Agreement. Owners acknowledge that if any noncompliance occurs, we will be entitled to temporary, preliminary, or permanent injunctions and all other equitable relief that any court of competent jurisdiction deems appropriate. If

injunctive relief is granted, Owners' sole remedy will be dissolution of any injunctive relief. If injunctive relief is wrongfully issued, Owners expressly waive all claims for damages incurred from the wrongful issuance.

8. Miscellaneous.

8.1 No Other Agreements. The Owner's Agreement constitutes the entire, full, and complete agreement between the parties and supersedes any earlier or contemporaneous negotiations, discussions, understandings, or agreements. There are no oral or written representations, inducements, promises, agreements, arrangements, or undertakings between the parties relating to the subject matter of the Owner's Agreement other than those in the Owner's Agreement. No other obligations, restrictions, or duties that contradict or are inconsistent with the express terms of the Owner's Agreement may be imputed to the Owner's Agreement. Except for our unilateral reduction of the scope of the covenants permitted in Section 3.3 or otherwise by the Owner's Agreement, no amendment, change, or variance from the Owner's Agreement will be binding on either party unless mutually agreed to by the parties and executed in writing. Time is of the essence.

8.2 Severability. Each provision of the Owner's Agreement, and any portions thereof, will be considered severable. If any provision of the Owner's Agreement or the application of any provision to any person, property or circumstances is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of the Owner's Agreement will be unaffected and will still remain in full force and effect. The parties agree that the provision found to be invalid or unenforceable will be modified to the extent necessary to make it valid and enforceable, consistent as much as possible with the original intent of the parties (i.e. to provide maximum protection for us and to effectuate the Owners' obligations under the Franchise Agreement), and the parties agree to be bound by the modified provisions.

8.3 No Third Party Beneficiaries. Nothing in the Owner's Agreement is intended to confer upon any person or entity other than the parties and their heirs, successors, and assigns any rights or remedies under or by reason of the Owner's Agreement.

8.4 Construction. The language of the Owner's Agreement will be construed according to its fair meaning and not strictly for or against either party. All words in the Owner's Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as "you," their obligations and liabilities will be joint and several. Headings are for reference purposes and do not control interpretation

8.5 Binding Effect. The Owner's Agreement may be executed in counterparts and each copy so executed and delivered will be deemed an original. The Owner's Agreement is binding on the parties and their respective heirs, executors, administrators, personal representatives, successors, and permitted assigns.

8.7 Non-Waiver. Our failure to insist upon strict compliance with any provision of the Owner's Agreement will not be a waiver of our ongoing right to do so. Delay or omission by us respecting any breach or default will not affect our rights respecting any subsequent breaches or defaults. All rights and remedies granted in the Owner's Agreement will be cumulative.

8.8 No Personal Liability. Fulfillment of any of our obligations under the Franchise Agreement or the Owner's Agreement, or based on any oral communications which may be ruled to be binding in a court of competent jurisdiction will be our sole responsibility and none of our owners, officers, agents, representatives, or any individuals associated with us will be personally liable to Owners for any reason.

8.9 Owner's Agreement Controls. If any discrepancy between the Owner's Agreement and the Franchise Agreement arises, the Owner's Agreement will control.

IN WITNESS WHEREOF, the parties have entered into the Owner's Agreement as of the Effective Date.

**OWNERS:**

By: _____ By: _____

Name: _____ Name: _____

By: _____ By: _____

Name: _____ Name: _____

Rush Bowls Franchising, LLC hereby accepts the agreements of the Owners hereunder.

**RUSH BOWLS FRANCHISING, LLC:**

By: _____

Name: _____

Title: _____

**ATTACHMENT 3**
**TO FRANCHISE AGREEMENT**

## STATEMENT OF OWNERSHIP

1. Franchisee: _____.

2. Trade Name (if different from above): _____.

Form of Ownership (check one):

Individual Partnership

Corporation Limited liability company

3. State and Date of Formation: _____.

4. Management (managers, officers, board of directors, etc.):

| Name | Title |
|---|---|
| | |
| | |
| | |
| | |

Members, Stockholders, and Partners*:

| Name | Address | Percentage Owned |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

*If any members, stockholders, or partners are entities, please list the owners of such entities up through the individual level.

5. Operating Principal: Franchisee's Operating Principal is: _____. Franchisee may not change Franchisee's Operating Principal without Franchisor's prior written approval.

6. Designated Manager: If applicable, Franchisee's Designated Manager is _____. Franchisee may not change the Designated Manager without Franchisor's prior written approval.

Franchisee acknowledges that this Statement of Ownership applies to Franchisee's Restaurant authorized under the Agreement. Any changes to the above information must be reported to Franchisor in writing.

[SIGNATURE PAGE FOLLOWS]

**FRANCHISEE:**

_____

By: _____

Name: _____

Title: _____

# EXHIBIT D

## AREA DEVELOPMENT AGREEMENT

**EXHIBIT D**

**RUSH BOWLS FRANCHISING, LLC**

**AREA DEVELOPMENT AGREEMENT**

**Area Developer:** _____

**Date:** _____

**Territory:** _____

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ATTACHMENTS:

Attachment 1 Data Sheet
Attachment 2 Development Schedule
Attachment 3 Statement of Ownership

**RUSH BOWLS FRANCHISING, LLC**
**AREA DEVELOPMENT AGREEMENT**

This RUSH BOWLS FRANCHISING, LLC AREA DEVELOPMENT AGREEMENT (the "Agreement") is made, entered into, and effective as of the date set forth in Attachment 1 to the Agreement (the "Effective Date") by and between RUSH BOWLS FRANCHISING, LLC, a Colorado limited liability company ("Rush Bowls"), and the area developer set forth in Attachment 1 to the Agreement ("Area Developer"). If more than one person or entity is listed as Area Developer, each such person or entity will be jointly and severally liable for all rights, duties, restrictions, and obligations under the Agreement.

## INTRODUCTION

A. Rush Bowls has developed a distinctive business system (the "System") using proprietary methodology and intellectual property for operating and franchising restaurants (each, a "Rush Bowls Franchise") identified by the mark "Rush Bowls®" that offer wholesome, all-natural high-quality bowls and smoothies made from acai, fruit, organic granola, and other ingredients. Rush Bowls holds the exclusive franchise rights relating to Rush Bowls Franchises.

B. Rush Bowls may license the use of the trademark "Rush Bowls" and other trademarks, trade names, service marks, logos, commercial symbols, phrases, slogans, and taglines designated by Rush Bowls in writing now owned, licensed to, or developed by Rush Bowls (collectively, the "Marks") for use in connection with the System to selected persons, businesses, or entities that comply with Rush Bowls's uniform requirements and quality standards.

C. Rush Bowls and Area Developer are contemporaneously entering into a Rush Bowls Franchising, LLC Franchise Agreement (the "Initial Franchise Agreement") for the right to establish and operate a single Rush Bowls Franchise (the "Initial Business").

D. Area Developer desires to purchase an option to establish and operate Rush Bowls Franchises within the territory described in Attachment 1 (the "Development Territory") under the development schedule described in Attachment 2 (the "Development Schedule") pursuant to the terms and conditions of the Agreement.

Pursuant to this Introduction and in consideration of the mutual promises and covenants set forth in the Agreement, Rush Bowls and Area Developer agree and contract as follows:

## 1. GRANT OF DEVELOPMENT RIGHTS

1.1. Grant. Rush Bowls grants to Area Developer the personal right to establish and operate the number of Rush Bowls Franchises indicated in Section 1 of Attachment 2 within the Development Territory. Each Rush Bowls Franchise will be operated according to the terms of a separate individual franchise agreement (each, a "Franchise Agreement"). Rush Bowls may: (i) own, franchise, or operate Rush Bowls Franchises and Rush Bowls restaurants at any location outside of the Development Territory regardless of the proximity to any Rush Bowls Franchise developed or in development by Area Developer; (ii) sell any products or services using the Rush Bowls trademarks through any alternate channels of distribution within or outside of the Development Territory; (iii) own, acquire, establish, or operate and license others to establish and operate businesses under other proprietary marks or other systems at any location even if these businesses are in competition with Area Developer; (iv) purchase, be purchased by, merge, or be merged with any business at any location including a business that is in competition with Area Developer; (v) acquire and convert to the System any businesses offering services

and products similar to those offered by Rush Bowls Franchises including, without limitation, businesses operated by competitors or otherwise operated independently or as part of or in association with any other system or chain at any location within or outside of the Development Territory; provided, however, that in such situations the newly acquired businesses will not operate under the Marks in the Development Territory; and (vi) directly or indirectly sell or distribute at retail, wholesale, or otherwise, or license others to sell or distribute any food products including, without limitation, proprietary food products under the Marks or any other marks through grocery stores, convenience stores, hotel shops, kiosks, theaters, malls, airports, gas stations, college campuses, military facilities, sports venues, theme or entertainment parks, casinos, or other similar retail locations within or outside of the Development Territory.

1.2. Development Territory Protection. If Area Developer is developing Rush Bowls Franchises in compliance with the terms of the Agreement, the Development Schedule, and each individual Franchise Agreement, Rush Bowls will not franchise or license others to, nor will itself directly or indirectly develop, own, lease, construct, or operate in any manner any Rush Bowls Franchises in the Development Territory during the term of the Agreement. Rush Bowls reserves all other rights including, without limitation, the right to otherwise act in the manner permitted in any Franchise Agreement. The Agreement is not a franchise agreement and Area Developer will have no right to use the Marks or System in any manner under the Agreement. Each Rush Bowls Franchise will be governed by the individual Franchise Agreement signed by Rush Bowls and Area Developer for each Rush Bowls Franchise.

1.3. Ownership. Area Developer will own at least a 51% equity interest in the franchisee for each Rush Bowls Franchise developed under the Agreement. Area Developer will ensure that the day-to-day operations of each Rush Bowls Franchise are managed by either the franchisee (or if the franchisee is an entity, an Operating Principal (defined below)) or a manager who has been approved by Rush Bowls (a "Designated Manager"). If any franchisee is not an individual, the franchisee will designate an individual (an "Operating Principal") acceptable to Rush Bowls who will be principally responsible for communicating with Rush Bowls about the Rush Bowls Franchise. Rush Bowls may require that the Designated Manager have an ownership interest in the franchisee. Area Developer will identify all equity owners of Area Developer by completing the Statement of Ownership attached to the Agreement as Attachment 3. Area Developer will provide Rush Bowls with an updated form of Attachment 3 within ten business days of any change in the equity ownership of Area Developer. The failure of Area Developer to provide Rush Bowls with an updated Attachment 3 within the ten-day period will constitute a material default of the Agreement.

## 2. TERM

Unless sooner terminated pursuant to the provisions of Section 7, the term of the Agreement will expire upon the earlier of: (i) the date listed on Section 2 of Attachment 2 (the "Termination Date"); or (ii) completion of the obligations of the Development Schedule. The only territorial protections that Area Developer will receive upon expiration or termination of the Agreement will be those under each individual Franchise Agreement. Upon the expiration or termination of the Agreement: (i) Area Developer will have no further right to construct, equip, own, open, or operate additional Rush Bowls Franchises that are not the subject of a then-existing Franchise Agreement or similar agreement between Area Developer or an affiliate of Area Developer and Rush Bowls at the time of such termination or expiration which is then in full force and effect; and (ii) Rush Bowls or its affiliates may thereafter construct, equip, open, own, or operate, license others to, or grant development rights to others to construct, equip, open, own, or operate Rush Bowls Franchises or Rush Bowls restaurants at any location without any restriction.

## 3. DEVELOPMENT FEE

Area Developer may elect to develop up to three Rush Bowls Franchises (the "Multi-3") or up to five Rush Bowls Franchises (the "Multi-5") in the Development Territory upon execution of the Agreement. Area Developer will pay a fee for this development right (the "Development Fee") in the amount set forth in Attachment 1 depending the number of Rush Bowls Franchises Area Developer elects to develop. No initial franchise fee will be due upon the execution of each Franchise Agreement to be developed under the Agreement, but all other fees will apply. All amounts collected will be fully earned immediately upon receipt and non-refundable regardless of whether Area Developer opens any of the Rush Bowls Franchises it is obligated to open.

## 4. DEVELOPMENT SCHEDULE AND EXERCISE OF DEVELOPMENT RIGHTS

4.1. Franchise Agreements. Area Developer will exercise the development rights granted under the Agreement only by entering into a separate Franchise Agreement with Rush Bowls for each Rush Bowls Franchise for which a development right is granted. The Initial Franchise Agreement will be executed and delivered concurrently with the execution and delivery of the Agreement. All subsequent Rush Bowls Franchises developed under the Agreement will be established and operated pursuant to Rush Bowls's then-current form of Franchise Agreement. Area Developer acknowledges that the then-current form of Franchise Agreement may differ from the Initial Franchise Agreement except that each will have the same royalty rate as the Initial Franchise Agreement.

4.2. Development Schedule.

(a) Area Developer acknowledges that time is of the essence and Area Developer will exercise its development rights strictly in accordance with Section 4.1 and the Development Schedule. The Development Schedule designates the number of Rush Bowls Franchises that must be developed before the end of each of the designated development periods (each, a "Development Period").

(b) During any Development Period, Area Developer may develop more than the number of Rush Bowls Franchises that Area Developer is required to develop during that Development Period by executing multiple Franchise Agreements during the Development Period with Rush Bowls's prior written consent. Any Franchise Agreements executed during a Development Period in excess of the minimum number to be executed upon expiration of that Development Period will be applied to satisfy Area Developer's future development obligations. Area Developer will not execute more than the cumulative total number of Franchise Agreements that Area Developer is obligated to execute under the Agreement as set forth in the Development Schedule.

(c) Area Developer will open each Rush Bowls Franchise in accordance with the terms of the applicable Franchise Agreement and execute the Franchise Agreements in accordance with the Development Schedule unless Area Developer obtains an extension of the Development Period from Rush Bowls to sign a particular Franchise Agreement in Rush Bowls's sole discretion. Each extension will be for an additional 90-day period commencing upon the expiration of the applicable Development Period including any previous extensions thereof (the "Extension Date"). No more than two extensions of any Development Period will be permitted. No extension of any Development Period will affect the duration of any other Development Period or any of Area Developer's other obligations. If an extension is requested in the final Development Period, the term of the Agreement will be extended to the Extension Date. Each extension may be conditioned upon payment of a $2,000 extension fee (the "Extension Fee") per extension.

(d) Any failure by Area Developer to strictly adhere to the Development Schedule will constitute a material event of default under the Agreement for which Rush Bowls may immediately exercise its rights under Section 7.1.

(e) If Rush Bowls is not legally able to deliver a Franchise Disclosure Document to Area Developer by reason of any lapse or expiration of its franchise registration, because Rush Bowls is in the process of amending any such registration, or for any reason beyond Rush Bowls's reasonable control, Rush Bowls may delay acceptance of the site for Area Developer's proposed Rush Bowls Franchise or delivery of a Franchise Disclosure Document until such time as Rush Bowls is legally able to deliver a Franchise Disclosure Document.

## 5. LOCATION OF RUSH BOWLS FRANCHISES

The location of each Rush Bowls Franchise will be within the Development Territory and selected by Area Developer in accordance with the terms of each Franchise Agreement.

## 6. FRANCHISE AGREEMENTS

Area Developer will not commence construction of or open any Rush Bowls Franchise until the Franchise Agreement for that Rush Bowls Franchise has executed by both Area Developer and Rush Bowls.

## 7. DEFAULT AND TERMINATION

7.1 Default. Area Developer will be in default of the Agreement if Area Developer or its affiliates fail to comply with the Development Schedule or otherwise fail to perform any obligations under the Agreement or any Franchise Agreement including, without limitation, failing to comply with applicable transfer provisions. Upon Area Developer's failure to adhere to the Development Schedule or any other default, Rush Bowls may do any of the following in Rush Bowls's sole discretion:

(a) Terminate the Agreement;

(b) Terminate the territorial exclusivity granted to Area Developer;

(c) Reduce the size of the Development Territory;

(d) Permit Area Developer to extend the Development Schedule; or

(e) Pursue any other remedy Rush Bowls may have at law or in equity including, without limitation, a suit for non-performance.

7.2 Death or Disability. Upon the prompt written request to Rush Bowls following the death or permanent disability of Area Developer or any controlling principal of Area Developer (a "Controlling Principal") who owns all or a part of the controlling interest in Area Developer (a "Controlling Interest"), Rush Bowls will allow a period of up to nine months after such death or legal incapacity for the Controlling Principal's heirs, personal representatives, or conservators (the "Heirs") to obtain Rush Bowls's consent to the assignment of the Controlling Principal's rights and interests in the Agreement to the Heirs or another person acceptable to Rush Bowls. If the Heirs fail to receive Rush Bowls's consent or effect the assignment within said nine-month period, the Agreement will immediately terminate in Rush Bowls's sole discretion.

7.3 Franchise Agreement Termination. If any Franchise Agreement or similar agreement issued to Area Developer, an approved affiliate of Area Developer, or any corporation, partnership, or joint venture or their affiliates in which Area Developer or any stockholder, partner, or joint venturer of Area Developer has any direct or indirect ownership or participation interest is terminated for any reason, Rush Bowls may terminate the Agreement upon immediate written notice to Area Developer in Rush Bowls's sole discretion. Upon termination or expiration of the Agreement, the Agreement will be of no further effect and Rush Bowls will have the right to open or license others to open Rush Bowls Franchises or Rush Bowls restaurants within the Development Territory.

7.4 Default Costs and Expenses. If a default by Area Developer occurs, all of Rush Bowls's costs and expenses arising from such default including, without limitation, reasonable accountant's fees, attorney's fees, and hourly charges of administrative employees will be paid to Rush Bowls by Area Developer within five days after cure or upon demand by Rush Bowls if such default is not cured.

## 8. ASSIGNMENT

8.1. Assignment by Rush Bowls. Rush Bowls may transfer or assign all or any part of its rights or obligations hereunder to any person or legal entity which assumes its obligation under the Agreement. Rush Bowls will be released from any further liability to Area Developer following Rush Bowls's assignment.

8.2. Assignment by Area Developer. Area Developer may not assign the Agreement or any rights to the Development Territory. The provisions of this Section 8.2 will not restrict Area Developer from transferring an open and operating Rush Bowls Franchise in compliance with the assignment provisions contained in such Rush Bowls Franchise's Franchise Agreement.

## 9. FORCE MAJEURE

The term "Force Majeure" will mean any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), terrorist event, riot, epidemic, fire, or other catastrophe, act of any government, and any other similar cause that is beyond a party's control and cannot be overcome by use of normal commercial measures. If Area Developer is unable to comply with the Development Schedule due to a Force Majeure event, the Development Schedule and the term of the Agreement will be extended for a corresponding period not exceeding 90 days upon Area Developer's written notice to Rush Bowls. Force Majeure will be construed narrowly and will not include general economic, market, or societal conditions, or any changes thereto including those that are the direct or indirect result of a Force Majeure event.

## 10. ENTIRE AGREEMENT

The Agreement constitutes the entire understanding of the parties with respect to the development of the Development Territory and will not be modified except by a written agreement signed by the parties. Nothing in the Agreement or any related agreement is intended to disclaim Rush Bowls's representations made in the Franchise Disclosure Document. Where the Agreement and any Franchise Agreement between the parties conflict with respect to the payment terms of initial franchise fees or equity interests held by Area Developer or its owners, the terms of the Agreement will govern; otherwise, the terms of each Franchise Agreement will govern with respect to the applicable Rush Bowls Franchise. Under no circumstances will the Agreement grant Area Developer any rights to grant sub-franchises in the Development Territory.

## 11. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

11.1. Independent Contractor Status. Area Developer and Rush Bowls are independent contractors and nothing contained in the Agreement will be construed as constituting Area Developer as the agent, partner, or legal representative of Rush Bowls for any purpose whatsoever. Area Developer will enter into contracts for the development of the Development Territory contemplated by the Agreement at Area Developer's sole risk and expense. Area Developer will be solely responsible for the direction, control, and management of its agents and employees. Area Developer will not have the authority to incur any obligations, responsibilities, or liabilities on Rush Bowl's behalf or bind Rush Bowls through any representations or warranties. Rush Bowls will not to hold itself out as having any such authority.

11.2. Indemnification. Area Developer will protect, defend, indemnify, and hold Rush Bowls harmless from and against any direct or indirect claims, actions, proceedings, damages, costs, expenses, and other losses and liabilities (each, a "Claim") incurred as a result of, arising from, out of, or in connection with Area Developer's obligations under the Agreement. Area Developer will reimburse Rush Bowls within 30 days of Rush Bowls's invoice to Area Developer for all costs of defending any Claim including, without limitation, any attorney's fees incurred by Rush Bowls whether or not Area Developer's insurer assumes defense of Rush Bowls. Rush Bowls has the right to approve any resolution or course of action including, without limitation, the selection of an attorney for the defense of a Claim that could directly or indirectly have any adverse effect on Rush Bowls, the Marks, or the System or serve as a precedent for other matters. Area Developer will also indemnify Rush Bowls for any fees, costs, or liabilities incurred by Rush Bowls on Area Developer's behalf including, without limitation, fees and costs incurred by Rush Bowls to recover amounts due to Area Developer on Area Developer's behalf.

## 12. SUCCESSORS AND ASSIGNS

The Agreement will be binding upon and inure to the benefit of each of the parties hereto and their heirs, successors, permitted assigns, and personal representatives.

## 13. APPLICABLE LAW, JURY TRIAL WAIVER, AND RUSH BOWLS'S DISCRETION

13.1. Applicable Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 *et seq.)* or other applicable law, the Agreement will be interpreted under the laws of Colorado and any disputes will be governed by and determined in accordance with the substantive laws of Colorado which laws will prevail in the event of any conflict of law. The parties expressly consent to personal jurisdiction in Colorado. Except as set forth in Section 15, the state and federal courts located in the jurisdiction where Rush Bowls has its principal place of business (currently Westminster, Colorado) will have exclusive jurisdiction and be the mandatory venue for dispute resolution.

13.2. Jury Trial Waiver. RUSH BOWLS, AREA DEVELOPER, AND THEIR RESPECTIVE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.

13.3. Rush Bowls's Discretion. If applicable law implies a covenant of good faith and fair dealing in the Agreement, the covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of the Agreement. If applicable law will implies such a covenant, Area: (i) the Agreement and the relationship of the parties that is inherent in the Agreement grants Rush Bowls the discretion to make decisions, take actions, or refrain from taking actions not inconsistent with Rush Bowls's explicit rights and obligations under the Agreement that may affect favorably or adversely Area Developer's interests; (ii) Rush Bowls will use its judgment in exercising its discretion based on Rush Bowls' assessment of its own interests and balancing those interests against the interests of its franchisees

and area developers generally without necessarily considering Area Developer's individual interests or the individual interests of any other particular area developer or franchisee; (iii) Rush Bowls will have no liability to Area Developer for the exercise of Rush Bowls' discretion in this manner as long as the discretion is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any mediation or litigation will substitute its own judgment for Rush Bowls's judgment so exercised.

## 14. NOTICE

Whenever the Agreement requires notice, it will be in writing and will be sent by registered or certified mail, return receipt requested, to the other party at the addresses set forth below unless written notice is given of a change of address. All notices to Area Developer will be conclusively deemed to have been received by Area Developer upon the delivery or attempted delivery of this notice to Area Developer's address listed herein, or the changed address.

| | |
|---|---|
| Notices to Rush Bowls: | Rush Bowls Franchising, LLC<br>11031 Sheridan Boulevard<br>Suite One<br>Westminster, Colorado 80020<br>Attention: Andrew Pudalov |
| Notices to Area Developer: | The notice address set forth in Attachment 1 |

## 15. DISPUTE RESOLUTION

Any dispute between the parties arising out of the terms of the Agreement will be governed in accordance with the terms and conditions set forth in the Initial Franchise Agreement which terms and conditions are by this reference incorporated herein including those provisions requiring mediation (subject to limited exceptions for certain claims). The parties' respective obligations to comply with the dispute resolution terms set forth in the Initial Franchise Agreement will survive any termination, expiration, or renewal of the Initial Franchise Agreement or Agreement.

## 16. ACKNOWLEDGEMENTS

16.1. Different Terms and Conditions. Area Developer acknowledges that different terms and conditions including, without limitation, different fee structures may pertain to different area development agreements and franchise agreements offered in the past, contemporaneously herewith, or in the future. Rush Bowls does not represent that all area development agreements or franchise agreements are or will be identical.

16.2. Third Party Beneficiary. Area Developer acknowledges that it is not, nor is it intended to be, a third party beneficiary of any other agreement to which Rush Bowls is a party.

16.3. Ability. Area Developer represents to Rush Bowls that it has the business acumen, corporate authority, and financial wherewithal to enter into the Agreement and perform all of its obligations hereunder and that execution of the Agreement is not in contravention of any other written or oral obligation of Area Developer. Area Developer acknowledges that Rush Bowls is entering the Agreement in reliance of Area Developer's representation.

16.4. Other Acknowledgments. Area Developer acknowledges that Area Developer's success in managing and operating multiple Rush Bowls Franchises is speculative and depend on many factors including Area Developer's independent business ability. Area Developer has been given the opportunity

and encouraged to obtain independent advice from legal and other professionals before entering into the Agreement. This offering is not a security as defined under applicable federal and state securities laws. The obligation to train, manage, pay, recruit, and supervise employees of the Rush Bowls Franchises rests solely with Area Developer. Area Developer has not relied on any express or implied warranty or representation regarding the potential success or projected income of the business venture contemplated by the Agreement. No representations or promises have been made by Rush Bowls to induce Area Developer to enter into the Agreement except as specifically described in the Agreement. Rush Bowls has not made any express or implied representation, warranty, or guarantee regarding the potential revenues, profits, or services of the business venture to Area Developer and cannot exercise control over Area Developer's business except as permitted by the Agreement. Area Developer acknowledges that it has no knowledge of any representation made by Rush Bowls or its representatives of any information that is contrary to the terms of the Agreement.

**IN WITNESS WHEREOF**, Rush Bowls and Area Developer have signed the Agreement effective as of the Effective Date.

| **RUSH BOWLS:** | **AREA DEVELOPER:** |
|---|---|
| RUSH BOWLS FRANCHISING, LLC | _____ |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |

**ATTACHMENT 1**
**TO AREA DEVELOPMENT AGREEMENT**

**DATA SHEET**

1. Effective Date. The effective date is: _____, 20___.

2. Area Developer. Area Developer is: _____.

3. Description of the Development Territory:

_____
_____
_____.

4. Development Fee. The Development Fee is:

Number of Rush Bowls Franchises (including the Rush Bowls Franchise under the Initial Franchise Agreement): $_____.

Fee for up to three Franchises (Multi-3): $79,000*

Fee for up to five Franchises (Multi-5): $99,000*

*The Development Fee will be reduced by 10% if Area Developer or Area Developer's spouse is an honourably discharged United States military veteran.

5. Area Developer's Principal Business Address. Area Developer's principal business address is:

_____
_____
_____

6. Notice Address. The notice address for Area Developer is:

_____
_____
_____

or such other address as Area Developer may provide to Rush Bowls in the future in writing.

[SIGNATURE PAGE FOLLOWS]

| **RUSH BOWLS:** | **AREA DEVELOPER:** |
| --- | --- |
| RUSH BOWLS FRANCHISING, LLC | _____ |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |

**ATTACHMENT 2**
**TO AREA DEVELOPMENT AGREEMENT**

**DEVELOPMENT SCHEDULE**

1. Number of Rush Bowls Franchises to be developed under the Agreement (including the Initial Business): _____.

2. The termination date of the Agreement will be the earlier of the date the Development Schedule is complete or _____.

3. Development Schedule:

| Rush Bowls Franchise | Development Period Ending Date | Franchise Agreement Execution Deadline |
|---|---|---|
| 1 | | Date of execution of Area Development Agreement |
| 2 | | |
| 3 | | |
| 4 | | |
| 5 | | |

**RUSH BOWLS:**

RUSH BOWLS FRANCHISING, LLC

By: _____

Name: _____

Title: _____

**AREA DEVELOPER:**

_____

By: _____

Name: _____

Title: _____

**ATTACHMENT 3**
**TO AREA DEVELOPMENT AGREEMENT**

**STATEMENT OF OWNERSHIP**

1. Area Developer: _____.

2. Trade Name (if different from above): _____.

Form of Ownership (check one):

Individual Partnership

Corporation Limited liability company

3. State and Date of Formation: _____.

4. Management (managers, officers, board of directors, etc.):

| Name | Title |
|---|---|
| | |
| | |
| | |
| | |

Members, Stockholders, and Partners*:

| Name | Address | Percentage Owned |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

*If any members, stockholders, or partners are entities, please list the owners of such entities up through the individual level.

Any changes to the above information must be reported to Rush Bowls in writing.

**AREA DEVELOPER:**

_____

By: _____

Name: _____

Title: _____

# EXHIBIT E

## LIST OF CURRENT AND FORMER FRANCHISEES

**Current Franchisees as of December 31, 2021:**

| Last Name | First Name | Entity Name | Address | City | State | ZIP Code | Phone | Email |
|---|---|---|---|---|---|---|---|---|
| *Foscue | David and Tammi | Foscue Enterprises, LLC | 5 West Nottingham Lane | Rogers | AZ | 72758 | (870) 820-1587 | dfoscue@outlook.com |
| *Seay | Brian | | 7710 West Desert Paintbrush Court | Tucson | AZ | 85743 | (602) 574-4943 | brian@myriadfoods.com |
| *Gohil & Ali | Raj and Irfan | | 10509 Point Royal Drive | Bakersfield | CA | 93311 | (559) 827-2725 | poojallcstores@grmail.com, irsal-ali@yahoo.com |
| Walker | Robert and Shamani | | 6215 Buena Ventura Avenue | Oakland | CA | 94605 | (510) 435-2177 | shamaniwalker@yahoo.com |
| Marshall (operates three outlets in CO) | Dave and Angie | | 7614 16th Street NW, #1 | Thornton | CO | 80602 | (303) 478-1496 | rushbowlsrockymountain@gmail.com |
| *Stetzelberg | Carlos and Arzu | Nourishing Trends, LLC | 8 Hamilton Way | Farmington | CT | 06032 | (860) 751-8870 | nazcar@icloud.com |
| *Alameh | Mohamed | Beyond the Table Co. | 38 East Fowler Avenue | Middletown | CT | 06457 | (860) 380-7674 | mmalameh@gmail.com |
| *Schlotz | Kyle | | 825 Brandon Prescott Lane, #306 | West Palm Beach | FL | 33401 | (314) 397-9047 | kyle.schlotz@outlook.com |
| Vadgama | Bhavin | | 2050 Fiddlehead Court | Cumming | GA | 30041 | (678) 622-4624 | bhavin.vadgama@gmail.com |
| *Meyers | Heidi and Nathan | 2an1, Inc. | 5346 North Morninggale Way | Boise | ID | 83713 | (208) 360-9928 | heidifit4life@gmail.com |
| *White | Ethan | | 609 Morgan Boulevard | Valparaiso | IN | 46383 | (219) 961-9449 | ethanwhitej@gmail.com |
| *Lehman | Elizabeth | | 211 East Merrill Street, #503 | Birmingham | MI | 48009 | (260) 417-4286 | blushenterprisesinc@gmail.com |
| *Moroney (operates two outlets in MO) | Ken and Kim | Shamrock Health, LLC | 8 Wilson Ridge Court | Chesterfield | MO | 63005 | (314) 650-3028 | ken.moroney@gmail.com |
| *Severn | Jason | CPS Group NC, Inc. | 8504 Harkers Court | Raleigh | NC | 27615 | (303) 378-9269 | jaysevern@gmail.com |
| *Faulkenberry & McDonald | Roger and John | Milan Properties, LLC | 8841 Sunart Court | N Dublin | OH | 43017 | (614) 813-5958 | rfaulken01@gmail.com |
| *Adewumi | Adebola | | 15205 SW Sandpiper Lane | Beaverton | OR | 97007 | (503) 816-9053 | aadewumi33@outlook.com |
| *Gordon | Hugh and Linda | Two Sixties, Inc. | 112 Royal Assembly Drive | Charleston | SC | 29492 | (843) 628-9650 | hugh@twosixties.com |
| *Taylor | Ryan and Michelle | High NRG Foods, LLC | 5602 Cohn Terrace | Houston | TX | 77007 | (512) 299-4800 | highnrgfoods@gmail.com |
| *Fuchs (operates two outlets in TX) | Michael and April | 5Fox Investments Corp. | 404 Monarch Hill Road | Keller | TX | 76248 | (479) 381-1035 | rushbowlsftworth@gmail.com |
| *Bachmeier (operates two outlets in TX and one outlet in AZ) | Ted and Elizabeth | Bachmeier Companies, LLC | 7931 Belinda Lane | Plano | TX | 75024 | (253) 222-7371 | bachmeierted@icloud.com |

| Last Name | First Name | Entity Name | Address | City | State | ZIP Code | Phone | Email |
|---|---|---|---|---|---|---|---|---|
| *Bentley | Brian | RBH Ventures, LLC | 3101 Browns Mill Road, #164 | Johnson City | TN | 37064 | (505) 333-9970 | brian@groundworkfg.com |
| *Can (operates one outlet in DC) | Onur | | 20586 Banbury Square | Sterling | VA | 20165 | (202) 735-0953 | |
| *Mills | Scott and Jennifer | MillsCO, LLC | 23427 126th Avenue E | Graham | WA | 98338 | (843) 303-6088 | scottamills@msn.com |

*Area Developer

**Former Franchisees:**

The name and last known address of every franchisee who had a Rush Bowls franchise transferred, terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the period January 1, 2021, to December 31, 2021, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document are listed below. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

| Last Name | First Name | Entity Name | Address | City | State | Zip Code | Phone | Email |
|---|---|---|---|---|---|---|---|---|
| Leisenring (two outlets) | Troy | L & L RGB, LLC | 4418 Fig Street | Golden | CO | 80403 | (203) 706-0441 | troy@hjlcorp.com |
| Saunders | Bridget and Josh | | 7794 Mountain Top Road | Herriman | UT | 84096 | (801) 381-4414 | bridgethideout13@gmail.com |

**EXHIBIT F**

**STATE ADDENDA**
**AND AGREEMENT RIDERS**

## STATE ADDENDA AND AGREEMENT RIDERS

## ADDENDUM TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS, AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES FOR RUSH BOWLS FRANCHISING, LLC

The following modifications are made to the Rush Bowls Franchising, LLC ("Franchisor," "us," "we," or "our") Franchise Disclosure Document (the "FDD") given to a franchisee ("Franchisee," "you," or "your") and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated _____, 20___ (the "Franchise Agreement"). When the term "Franchisor's Choice of Law State" is used, it means Colorado. When the term "Supplemental Agreements" is used, it means an Area Development Agreement.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement and other documents related to the sale of a franchise. This State Specific Addendum (the "State Addendum") will modify these agreements to comply with the state's laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Iowa, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Ohio, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements.

### CALIFORNIA

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the FDD.

California Corporations Code Section 31125 requires us to give to you an FDD approved by the Department of Financial Protection and Innovation before we ask you to consider a material modification of your Franchise Agreement.

The Franchise Agreement contains, and if applicable, the Supplemental Agreements may contain, provisions requiring litigation with the costs being awarded to the prevailing party. The arbitration will occur in Colorado. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement or Supplemental Agreements restricting venue to a forum outside the State of California. The Franchise Agreement may contain a mediation provision. If so, the parties will each bear their own costs of mediation and will share equally the filing fee and the mediator's fees.

The Franchise Agreement and Supplemental Agreements require the application of the law of Colorado. This provision may not be enforceable under California law.

Neither Franchisor nor any other person listed in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq*., suspending or expelling such persons from membership in such association or exchange.

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 or Supplemental Agreements contain a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.

The Franchise Agreement and Supplemental Agreements may provide for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. SEC. 101 *et seq*.).

The Franchise Agreement contains, and if applicable, the Supplemental Agreements may contain, a covenant not to compete provision which extends beyond the termination of the Franchise. Such provisions may not be enforceable under California law.

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement or Supplemental Agreements may not be enforceable.

You must sign a general release of claims if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516).

Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

Item 6 of the FDD is amended to state the highest interest rate allowed by law in California is 10% annually.

Fee Deferral

The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California Franchisees until the Franchisor has completed all its pre-opening obligations and Franchisee is open for business. The payment of all initial fees, including Initial Franchise Fees and Development Fees, attributable to a specific unit in a Development Schedule, is deferred until that specific unit is open for business.

**HAWAII**

The following is added to the Cover Page:

**THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED IN THIS FRANCHISE DISCLOSURE DOCUMENT IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO**

**YOU OR SUBFRANCHISOR AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.**

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

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

The status of the Franchisor's franchise registrations in the states which require registration is as follows:

1. States in which this proposed registration is effective are listed in Exhibit J of the FDD on the page entitled "State Effective Dates."

2. States which have refused, by order or otherwise, to register these Franchises are:

   None

3. States which have revoked or suspended the right to offer the Franchises are:

   None

4. States in which the proposed registration of these Franchises has been withdrawn are:

   None

**ILLINOIS**

Sections 4 and 41 and Rule 608 of the Illinois Franchise Disclosure Act states that court litigation must take place before Illinois federal or state courts and all dispute resolution arising from the terms of this Agreement or the relationship of the parties and conducted through arbitration or litigation will be subject to Illinois law. The FDD, Franchise Agreement, and Supplemental Agreements are amended accordingly.

The governing law or choice of law clause described in the FDD and contained in the Franchise Agreement and Supplemental Agreements is not enforceable under Illinois law. This governing law clause will not be construed to negate the application of Illinois law in all situations to which it is applicable.

Section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void." The Franchise Agreement is amended accordingly. To the extent that the Franchise Agreement would otherwise violate Illinois law, such Agreement is amended by providing that all litigation by or between you and us, arising directly or indirectly from the Franchise relationship, will be commenced and maintained in the state courts of Illinois or, at our election, the United States District Court for Illinois, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements, and Illinois law will pertain to any claims arising under the Illinois Franchise Disclosure Act.

Item 17.v, Choice of Forum, of the FDD is revised to include the following: "provided, however, that the foregoing will not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act."

Item 17.w, Choice of Law, of the FDD is revised to include the following: "provided, however, that the foregoing will not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act."

The termination and non-renewal provisions in the Franchise Agreement and the FDD may not be enforceable under Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Under Section 705/27 of the Illinois Franchise Disclosure Act, no action for liability under the Illinois Franchise Disclosure Act can be maintained unless brought before the expiration of three years after the act or transaction constituting the violation upon which it is based, the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to you of a written notice disclosing the violation, whichever will first expire. To the extent that the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act, Illinois law will control and supersede any inconsistent provision(s).

**INDIANA**

Item 8 of the FDD is amended to add the following:

> Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 17 of the FDD is amended to add the following:

> Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.
>
> Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The "Summary" column in Item 17.r. of the FDD is deleted and the following is inserted in its place:

> No competing business for two (2) years within the Protected Territory.

The "Summary" column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

> Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The "Summary" column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

> Litigation regarding Franchise Agreement in Indiana; other litigation in Franchisor's Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them including, without limitation, all venue, choice-of-law, arbitration provisions, and other dispute avoidance and resolution provisions and to rely on federal preemption under the Federal Arbitration Act.

The "Summary" column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

> Indiana law applies to disputes covered by Indiana franchise laws; otherwise Franchisor's Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Franchisor's Choice of Law State law, if such provisions are in conflict with Indiana law.

2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.

3. Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.

4. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason is hereby modified to the extent necessary to comply with Indiana Code 23-2-2.7-1(9).

5. The following provision will be added to the Franchise Agreement:

> No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in the Agreement which limits in any manner whatsoever litigation brought for

breach of the Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices Law.

**MARYLAND**

AMENDMENTS TO FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENTS AND AREA DEVELOPMENT AGREEMENTS

Item 17 of the FDD and the Franchise Agreement are amended to state: "The general release required as a condition of renewal, sale, and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

Item 17 of the FDD and sections of the Franchise Agreement and Area Development Agreement are amended to state: "A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the Franchise."

The Franchise Agreement, Area Development Agreement and Franchise Disclosure Questionnaire are amended to state: "All representations requiring prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to, nor will they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

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*.).

**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.**

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

(a) A prohibition on your right to join an association of franchisees.

(b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This will not preclude you, after entering into a Franchise Agreement, from settling any and all claims.

(c) A provision that permits us to terminate a Franchise prior to the expiration of its term except for good cause. Good cause will include your failure to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits us to refuse to renew your Franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us 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 years; and (ii) you are prohibited by the Franchise Agreement 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 you do not receive at least six months' advance notice of our intent not to renew the Franchise.

(e) A provision that permits us 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 the State of Michigan. This will not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits us to refuse to permit a transfer of ownership of a Franchise, except for good cause. This subdivision does not prevent us from exercising a right of first refusal to purchase the Franchise. Good cause will include, but is not limited to:

(i) the failure of the proposed transferee to meet our then-current reasonable qualifications or standards.

(ii) the fact that the proposed transferee is a competitor of us or our subfranchisor.

(iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us 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 us the right to acquire the assets of a Franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you 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.**

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
Consumer Protection Division

Attn: Franchise
670 G. Mennen Williams Building
525 West Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

**MINNESOTA**

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Minnesota:

1. Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.

2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the FDD or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota.

3. Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Franchise Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any agreement relating to Franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Franchise Agreement relating to arbitration.

4. With respect to Franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4, and 5, which require, except in certain specified cases, that you 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.

5. Item 13 of the FDD is hereby amended to state that we will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any third party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System standards.

6. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the FDD and the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your Franchise, are hereby deleted from the Franchise Agreement, to the extent required by Minnesota law.

7. The following language will appear as a new paragraph of the Franchise Agreement:

   No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in

Minnesota Statutes, Chapter 80.C.

8. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.

9. Item 6 of the FDD and Section 6.2 of the Franchise Agreement are hereby amended to limit the Non-Sufficient Funds Charge to $30 per occurrence pursuant to Minnesota Statute 604.113.

**NEW YORK**

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

**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 Franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the Franchise System or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge, or within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for Franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for Franchisor approval of transfer:**"

> However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will 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.

4. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by Franchisee**:"

> You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of Forum**," and Item 17(w), titled "**Choice of Law**:"

> The foregoing choice of law should not be considered a waiver of any right conferred upon the Franchisor or upon the Franchisee by Article 33 of the General Business Law of the State of New York.

**NORTH DAKOTA**

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Item 17(r) of the FDD and Section 23 of the Franchise Agreement disclose the existence of certain covenants restricting competition to which Franchisee must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statue, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The FDD and the Franchise Agreement are amended accordingly to the extent required by law.

**RHODE ISLAND**

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act." The FDD, the Franchise Agreement, and the Supplemental Agreements are amended accordingly to the extent required by law.

The above language has been included in this FDD as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement and the Supplemental Agreements, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement, the Supplemental Agreements, and all other documents signed by them including, without limitation, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

**VIRGINIA**

Item 17(h). The following is added to Item 17(h):

> "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 or Supplemental Agreements involve the use of undue influence by the Franchisor to induce a franchisee to surrender any rights given to franchisee under the Franchise, that provision may not be enforceable."

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the FDD for Rush Bowls Franchising, LLC for use in the Commonwealth of Virginia will be amended as follows:

> Additional Disclosure. The following statement is added to Item 8 and 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 does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable."

**WASHINGTON**

AMENDMENTS TO FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENTS AND AREA DEVELOPMENT AGREEMENT

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

**WISCONSIN**

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

**APPLICABLE ADDENDA**

If any one of the preceding Addenda for specific states (the "Addenda") is checked as an "Applicable Addenda" below, then that Addenda will be incorporated into the Franchise Disclosure Document, Franchise Agreement and any other specified agreements entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement and other specified agreements, the terms of the Applicable Addenda will supersede the terms of the Franchise Agreement.

| | | |
|---|---|---|
| ☐ California | ☐ Michigan | ☐ Rhode Island |
| ☐ Hawaii | ☐ Minnesota | ☐ South Dakota |
| ☐ Illinois | ☐ New York | ☐ Virginia |
| ☐ Iowa | ☐ North Dakota | ☐ Washington |
| ☐ Indiana | ☐ Ohio | ☐ Wisconsin |
| ☐ Maryland | | |

Dated: _____, 20____

**FRANCHISOR:**

RUSH BOWLS FRANCHISING, LLC

By: _____

Title: _____

**FRANCHISEE:**

_____

By: _____

Title: _____

# EXHIBIT G

## FRANCHISE OPERATIONS MANUAL
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**RUSH BOWLS**
**FRANCHISE OPERATIONS MANUAL**

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# EXHIBIT H

## CONTRACTS FOR USE WITH THE RUSH BOWLS FRANCHISE

The following contracts contained in Exhibit H are contracts that Franchisee is required to utilize or execute after signing the Franchise Agreement in the operation of the Rush Bowls franchise. The following are the forms of contracts that Rush Bowls Franchising, LLC uses as of the Issuance Date of this Franchise Disclosure Document. If they are marked "Sample," they are subject to change at any time.

**EXHIBIT H-1**

**RUSH BOWLS FRANCHISE**

**SAMPLE GENERAL RELEASE AGREEMENT**

**WAIVER AND RELEASE OF CLAIMS**

This Waiver and Release of Claims (the "Release") is made as of _____, 20___ by _____, a(n) _____ ("Franchisee"), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, "Releasor") in favor of Rush Bowls Franchising, LLC, a Colorado limited liability company ("Franchisor," and together with Releasor, the "Parties").

**WHEREAS,** Franchisor and Franchisee have entered into a Franchise Agreement (the "Agreement") pursuant to which Franchisee was granted the right to own and operate a Rush Bowls restaurant;

**WHEREAS, (Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee/enter into a successor franchise agreement/amend the Agreement) or (the Agreement is being terminated/or indicate other reason for the requirement of this waiver and release)**, and Franchisor has consented to such **(transfer/ successor franchise agreement/amendment/termination/other reason)**; and

**WHEREAS,** as a condition to Franchisor's consent to **(transfer the Agreement/enter into a successor franchise agreement/amend the Agreement/terminate the Agreement/other reason)**, Releasor has agreed to execute this Release upon the terms and conditions stated below.

**NOW, THEREFORE,** in consideration of Franchisor's consent, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. Representations and Warranties. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred, or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims, or obligations being terminated and released hereunder. Each individual executing this Release on behalf of Franchisee represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. Release. Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit, and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries, or related companies, divisions, and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the "Released Parties"), from any and all claims, liabilities, damages, expenses, actions, or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions, or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the franchise related thereto, except to the extent such liabilities are payable by the applicable indemnified party in connection with a third party claim.

3. Non-Disparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit, or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business, or their reputation.

4. Confidentiality. Releasor agrees to hold in strictest confidence and not disclose, publish, or use the existence of, or any details relating to, this Release to any third party without Franchisor's express written consent, except as required by law.

5. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

b. This Release will be construed and governed by the laws of the State of Colorado.

c. Each individual and entity that comprises Releasor will be jointly and severally liable for the obligations of Releasor.

d. In the event that it will be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action will be entitled to recover all of its reasonable costs and attorneys' fees.

e. All of the provisions of this Release will be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders, and the spouses of such individuals, successors, affiliates, and assigns. No other party will be a third party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which will be deemed an original and all of which together will constitute but one and the same document.

g. If one or more of the provisions of this Release will for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability will not affect or impair any other provision of this Release, but this Release will be construed as if such invalid, illegal, or unenforceable provision had not been contained herein.

h. Releasor agrees to do such further acts and things and to execute and deliver such additional agreements and instruments as any Released Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

[SIGNATURE PAGE FOLLOWS]

**IN WITNESS WHEREOF**, Releasor has executed this Release as of the date first written above.

**FRANCHISEE:**

_____

By: _____

Name: _____

Title: _____

**FRANCHISEE'S OWNERS:**

By: _____

Name: _____

By: _____

Name: _____

**EXHIBIT H-2**

**RUSH BOWLS FRANCHISE**

**SAMPLE SYSTEM PROTECTION AGREEMENT**

This System Protection Agreement (the "Agreement") is entered into by the undersigned ("you" or "your") in favor of Rush Bowls Franchising, LLC, a Colorado limited liability company, and its successors and assigns ("us", "we" or "our"), upon the terms and conditions set forth in this Agreement.

**1. Definitions**. For purposes of this Agreement, the following terms have the meanings given to them below:

"*Competitive Business*" means any business that: (i) sells or offers to sell products the same as or similar to the type of products sold by you in and/or from your Protected Area including, without limitation, the products we authorize, or (ii) provides or offers to provide services the same as or similar to the type of services sold by you in or from the Protected Area including, without limitation, the services we authorize, but excludes a Rush Bowls Restaurant operating pursuant to a franchise agreement with us.

"*Copyrights*" means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell, or display in connection with the marketing and/or operation of a Rush Bowls Restaurant or the solicitation or offer of a Rush Bowls franchise, whether now in existence or created in the future.

"*Franchisee*" means the Rush Bowls franchisee for which you are an officer.

"*Franchisee Territory*" means the territory granted to you pursuant to a franchise agreement with us.

"*Intellectual Property*" means, collectively or individually, our Marks, Copyrights, Know-how, and System.

"*Know-how*" means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Rush Bowls Restaurant, including, without limitation, to methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

"*Manual*" means our confidential operations manual for the operation of a Rush Bowls Restaurant, which may be periodically modified by us.

"*Marks*" means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Rush Bowls Restaurant, including "RUSH BOWLS," and any other trademarks, service marks, or trade names that we designate for use by a Rush Bowls Restaurant. The term "Marks" also includes any distinctive trade dress used to identify a Rush Bowls Restaurant, whether now in existence or hereafter created.

"*Prohibited Activities*" means any or all of the following: (i) owning, operating, or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent, or in any similar capacity) in a Competitive Business (other than owning an interest of 5% or less in a publicly-traded company that is a Competitive Business); and/or (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees).

*"Restricted Period"* means the 2-year period after you cease to be an officer of Franchisee's Rush Bowls Restaurant; provided, however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the "Restricted Period" means the 1-year period after you cease to be an officer of Franchisee's Rush Bowls Restaurant.

*"Restricted Territory"* means the geographic area within: (i) a 25-mile radius from Franchisee's Rush Bowls Restaurant (and including the premises of the approved location of Franchisee); and (ii) a 25-mile radius from all other Rush Bowls Restaurants that are operating or under construction as of the beginning of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the "Restricted Territory" means the geographic area within a 12.5-mile radius from Franchisee's Rush Bowls Restaurant (and including the premises of the approved location of Franchisee).

*"System"* means our system for the establishment, development, operation, and management of a Rush Bowls Restaurant, including Know-how, proprietary programs and products, Manual, and operating system.

**2. Background**. You are a manager or officer of Franchisee. As a result of this relationship, you may gain knowledge of our System. You understand that protecting the Intellectual Property and our System are vital to our success and that of our franchisees and that you could seriously jeopardize our entire System if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

**3. Know-How and Intellectual Property**. You agree: (i) you will not use the Know-how in any business or capacity other than the Rush Bowls Restaurant operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager or officer of Franchisee's Rush Bowls Restaurant. You further agree that you will not use all or part of the Intellectual Property or all or part of the System for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee. These restrictions on Know-how, Intellectual Property and the System will not apply to any information which is information publicly known or becomes lawfully known in the public domain other than through a breach of this Agreement or is required or compelled by law to be disclosed, provided that you will give reasonable notice to us to allow us to seek protective or other court orders.

**4. Unfair Competition During Relationship**. You agree not to unfairly compete with us at any time while you are a manager or officer of Franchisee's Rush Bowls Restaurant by engaging in any Prohibited Activities.

**5. Unfair Competition After Relationship**. You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity.

**6. Immediate Family Members**. You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, grandparent or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family: (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities; or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

**7. Covenants Reasonable**. You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

**8. Breach**. You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other Rush Bowls franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours in the event of the entry of such injunction will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond will not exceed $1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action that you may have against us, our owners or our affiliates, or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

**9. Miscellaneous**.

a. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

b. This Agreement will be governed by, construed, and enforced under the laws of Colorado, and the courts in that state will have jurisdiction over any legal proceedings arising out of this Agreement.

c. Each section of this Agreement, including each subsection and portion thereof, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it will not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration, and geographic area.

d. You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration, and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory, and/or reducing the scope of any other covenant imposed upon

you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

EXECUTED on the date stated below.

Date_____ _____

Signature

_____

Print Name

**EXHIBIT H-3**

**RUSH BOWLS FRANCHISE**

**SAMPLE CONFIDENTIALITY AGREEMENT**

This Confidentiality Agreement (the "Agreement") is entered into by the undersigned ("you") in favor of Rush Bowls Franchising, LLC, a Colorado limited liability company, and its successors and assigns ("us"), upon the terms and conditions set forth in this Agreement.

**1. Definitions**. For purposes of this Agreement, the following terms have the meanings given to them below:

*"Copyrights"* means all works and materials for which we or our affiliate(s) have secured common law or registered copyright protection and that we allow Rush Bowls franchisees to use, sell, or display in connection with the marketing and/or operation of a Rush Bowls Restaurant, whether now in existence or created in the future.

*"Franchisee"* means the Rush Bowls franchisee for which you are an employee, manager independent contractor, agent, representative, or supplier.

*"Intellectual Property"* means, collectively or individually, our Marks, Copyrights, Know-how, Manual, and System.

*"Know-how"* means all of our trade secrets and other proprietary information relating to the development, construction, marketing, or operation of a Rush Bowls Restaurant including, without limitation, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

*"Manual"* means our confidential operations manual for the operation of a Rush Bowls Restaurant.

*"Marks"* means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Rush Bowls Restaurant, including "RUSH BOWLS" and any other trademarks, service marks, or trade names that we designate for use by a Rush Bowls Restaurant. The term "Marks" also includes any distinctive trade dress used to identify a Rush Bowls Restaurant, whether now in existence or hereafter created.

*"Rush Bowls Restaurant"* means a business that operates a retail store that offers wholesome, all-natural high-quality bowls and smoothies made from acai, fruit, organic granola and other ingredients and other related products and services using our Intellectual Property.

*"System"* means our system for the establishment, development, operation, and management of a Rush Bowls Restaurant, including Know-how, proprietary programs and products, confidential operations manuals, and operating system.

**2. Background**. You are a manager, employee, independent contractor, agent, representative, or supplier of Franchisee. Because of this relationship, you may gain knowledge of our Intellectual Property. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees, and that you could seriously jeopardize our entire Franchise System if you were to use such Intellectual Property in any way other than as described in this Agreement. In order to avoid such damage, you agree to comply with this Agreement.

**3. Know-How and Intellectual Property: Nondisclosure and Ownership**. You agree: (i) you will not use the Intellectual Property in any business or capacity other than for the benefit of the Rush Bowls Restaurant operated by Franchisee or in any way detrimental to us or to the Franchisee; (ii) you will maintain the confidentiality of the Intellectual Property at all times; (iii) you will not make unauthorized copies of documents containing any Intellectual Property; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Intellectual Property; and (v) you will stop using the Intellectual Property immediately if you are no longer a manager, employee, independent contractor, agent, representative, or supplier of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than the performing your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

The Intellectual Property is and will continue to be the sole property of Rush Bowls Franchising, LLC. You hereby assign and agree to assign to us any rights you may have or may acquire in such Intellectual Property. Upon the termination of your employment or engagement with Franchisee, or at any time upon our or Franchisee's request, you will deliver to us or to Franchisee all documents and data of any nature pertaining to the Intellectual Property, and you will not take with you any documents or data or copies containing or pertaining to any Intellectual Property.

**4. Immediate Family Members**. You acknowledge you could circumvent the purpose of this Agreement by disclosing Intellectual Property to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Intellectual Property to family members. Therefore, you agree you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Intellectual Property. However, you may rebut this presumption by furnishing evidence conclusively showing you did not disclose the Intellectual Property to the family member.

**5. Covenants Reasonable**. You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

**6. Breach**. You agree that failure to comply with this Agreement will cause substantial and irreparable damage to us and/or other Rush Bowls franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond will not exceed $1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

**7. Miscellaneous**.

a. Although this Agreement is entered into in favor of Rush Bowls Franchising, LLC, you understand and acknowledge that your employer/employee, independent contractor, agent,

representative, or supplier relationship is with Franchisee and not with us, and for all purposes in connection with such relationship, you will look to Franchisee and not to us.

b. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.

c. This Agreement will be governed by, construed, and enforced under the laws of Colorado, and the courts in that state will have jurisdiction over any legal proceedings arising out of this Agreement.

d. Each section of this Agreement, including each subsection and portion, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it will not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

EXECUTED on the date stated below.

Date_____ _____

Signature

_____

Print Name

**EXHIBIT H-4**

**AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM**

**Franchisee Information:**

| | |
|---|---|
| Franchisee Name | Business No. |
| Franchisee Mailing Address (street) | Franchisee Phone No. |
| Franchisee Mailing Address (city, state, zip) | |
| Contact Name, Address and Phone number (if different from above) | |
| Franchisee Fax No. | Franchisee Email Address |

**Bank Account Information:**

| | | |
|---|---|---|
| Bank Name | | |
| Bank Mailing Address (street, city, state, zip) | | |
| Bank Account No. | ☐ Checking ☐ Savings (check one) | Bank Routing No. (9 digits) |
| Bank Mailing Address (city, state, zip) | | Bank Phone No. |

**Authorization:**

Franchisee hereby authorizes Rush Bowls Franchising, LLC ("Franchisor") to initiate debit entries to Franchisee's account with the Bank listed above, and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee's account. Each debit will be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee will notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: _____ Date: _____
Name: _____
Its: _____

Federal Tax ID Number: _____

**NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.**

**EXHIBIT H-5**

**RUSH BOWLS FRANCHISE**

**SAMPLE APPROVAL OF REQUESTED ASSIGNMENT**

This Approval of Requested Assignment (the "Agreement") is entered into this _____ day of _____, 20_____, between Rush Bowls Franchising, LLC ("Franchisor"), a Colorado limited liability company, _____ ("Former Franchisee"), the undersigned owners of Former Franchisee ("Owners") and _____, a [State] [corporation/limited liability company] ("New Franchisee").

**RECITALS**

WHEREAS, Franchisor and Former Franchisee entered into that certain franchise agreement dated _____, 20_____ (the "Former Franchise Agreement"), in which Franchisor granted Former Franchisee the right to operate a Rush Bowls franchise located at _____ (the "Franchised Business"); and

WHEREAS, Former Franchisee desires to assign (the "Requested Assignment") the Franchised Business to New Franchisee, New Franchisee desires to accept the Requested Assignment of the Franchised Business from Former Franchisee, and Franchisor desires to approve the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon the terms and conditions contained in this Agreement, including that New Franchisee sign Franchisor's current form of franchise agreement together with all exhibits and attachments thereto (the "New Franchise Agreement") contemporaneously herewith.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and agreements herein contained, the parties hereto hereby covenant, promise, and agree as follows:

1. Payment of Fees. In consideration for the Requested Assignment, Former Franchisee acknowledges and agrees to pay Franchisor the Transfer Fee, as required under the Franchise Agreement (the "Franchisor's Assignment Fee").

2. Assignment and Assumption. Former Franchisee hereby consents to assign all of its rights and delegate its duties with regard to the Former Franchise Agreement and all exhibits and attachments thereto from Former Franchisee to New Franchisee, subject to the terms and conditions of this Agreement, and conditioned upon New Franchisee's signing the New Franchise Agreement pursuant to Section 5 of this Agreement.

3. Consent to Requested Assignment of Franchised Business. Franchisor hereby consents to the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon receipt of the Franchisor's Assignment Fee from Former Franchisee and the mutual execution of this Agreement by all parties. Franchisor waives its right of first refusal set forth in the Former Franchise Agreement.

4. Termination of Rights to the Franchised Business. The parties acknowledge and agree that effective upon the date of this Agreement, the Former Franchise Agreement will terminate and all of Former Franchisee's rights to operate the Franchised Business are terminated and that from the date of this Agreement only New Franchisee will have the sole right to operate the Franchised Business under the New Franchise Agreement. Former Franchisee and the undersigned Owners agree to comply with all of the

covenants in the Former Franchise Agreement that expressly or by implication survive the termination, expiration, or transfer of the Former Franchise Agreement. Unless otherwise precluded by state law, Former Franchisee will execute Franchisor's current form of General Release Agreement.

5. New Franchise Agreement. New Franchisee will execute of the New Franchise Agreement for the Franchised Business (as amended by the form of Addendum prescribed by Franchisor, if applicable), and any other required contracts for the operation of a Rush Bowls franchise as stated in Franchisor's Franchise Disclosure Document.

6. Former Franchisee's Contact Information. Former Franchisee agrees to keep Franchisor informed of its current address and telephone number at all times during the three-year period following the execution of this Agreement.

7. Acknowledgement by New Franchisee. New Franchisee acknowledges and agrees that the purchase of the rights to the Franchised Business (the "Transaction") occurred solely between Former Franchisee and New Franchisee. New Franchisee also acknowledges and agrees that Franchisor played no role in the Transaction and that Franchisor's involvement was limited to the approval of Requested Assignment and any required actions regarding New Franchisee's signing of the New Franchise Agreement for the Franchised Business. New Franchisee agrees that any claims, disputes, or issues relating New Franchisee's acquisition of the Franchised Business from Franchisee are between New Franchisee and Former Franchisee, and will not involve Franchisor.

8. Representation. Former Franchisee warrants and represents that it has not heretofore assigned, conveyed, or disposed of any interest in the Former Franchise Agreement or Franchised Business. New Franchisee hereby represents that it received Franchisor's Franchise Disclosure Document and did not sign the New Franchise Agreement or pay any money to Franchisor or its affiliate for a period of at least 14 calendar days after receipt of the Franchise Disclosure Document.

9. Notices. Any notices given under this Agreement will be in writing, and if delivered by hand, or transmitted by U.S. certified mail, return receipt requested, postage prepaid, or via telegram or telefax, will be deemed to have been given on the date so delivered or transmitted, if sent to the recipient at its address or telefax number appearing on the records of the sending party.

10. Further Actions. Former Franchisee and New Franchisee each agree to take such further actions as may be required to effectuate the terms and conditions of this Agreement, including any and all actions that may be required or contemplated by the Former Franchise Agreement.

11. Affiliates. When used in this Agreement, the term "Affiliates" has the meaning as given in Rule 144 under the Securities Act of 1933.

12. Miscellaneous. This Agreement may not be changed or modified except in a writing signed by all of the parties hereto. This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original, and all of which together will constitute one and the same document. This Agreement will be binding upon and inure to the benefit of the parties and their respective successors and assigns.

13. Governing Law. This Agreement will be governed by, and construed and enforced in accordance with, the laws of the State of Colorado.

[SIGNATURE PAGE FOLLOWS]

**IN WITNESS WHEREOF**, the parties have executed this Agreement under seal, with the intent that this be a sealed instrument, as of the day and year first above written.

**FRANCHISOR**:

RUSH BOWLS FRANCHISING, LLC

By: _____

Print Name: _____

Title: _____

**FORMER FRANCHISEE:**

_____

By: _____

Print Name: _____

Title: _____

**NEW FRANCHISEE:**

_____

By: _____

Print Name: _____

Title: _____

**EXHIBIT H-6**

**RUSH BOWLS FRANCHISE**

**LEASE ADDENDUM**

This Addendum to Lease (the "Addendum"), dated _____, 20___, is entered into by and between _____ ("Landlord"), _____ ("Tenant") and Rush Bowls Franchising, LLC ("Franchisor"), collectively referred to herein as the "Parties."

A. Landlord and Tenant have entered into a certain Lease Agreement dated _____, 20___, pertaining to the premises located at _____ (the "Lease").

B. Landlord acknowledges that Tenant intends to operate a franchised business from the leased premises (the "Premises") pursuant to a Franchise Agreement (the "Franchise Agreement") with Franchisor under Franchisor's trademarks and other names designated by Franchisor (the "Franchised Business").

C. The parties now desire to supplement the terms of the Lease in accordance with the terms and conditions contained herein.

**NOW, THEREFORE**, it is hereby mutually covenanted and agreed among the Parties as follows:

1. Use of the Premises. During the term of the Franchise Agreement, the Premises will be used only for the operation of the Franchised Business.

2. Franchise System. Landlord hereby consents to Tenant's use of such proprietary marks, signs, interior and exterior décor items, color schemes and related components of the Franchised Business required by Franchisor. Tenant's use of such items will at all times be in compliance with all applicable laws, ordinances, rules and regulations of governmental authorities having jurisdiction over the Premises.

3. Assignment. Tenant will have the right, without further consent from Landlord, to sublease or assign all of Tenant's right, title, and interest in the Lease to an assignee of the Tenant or the Franchised Business ("Franchise Assignee") at any time during the term of the Lease, including any extensions or renewals thereof. In addition, if Tenant fails to timely cure any default under either the Lease or the Franchise Agreement, Franchisor or a Franchise Assignee that Franchisor designates, will, at its option, have the right, but not the obligation, to take an assignment of Tenant's interest under the Collateral Assignment of Lease or other form of assignment and assumption document reasonably acceptable to Landlord, provided such Franchise Assignee cures a default of the Lease no later than ten days following the end of Tenant's cure period. No assignment will be effective until: (i) a Franchise Assignee gives Landlord written notice of its acceptance of the assignment and assumption of the Lease; and (ii) Tenant or the Franchisee Assignee has cured all material defaults of the Lease for which it has received notice from Landlord. Nothing contained herein or in any other document will create any obligation or liability of Franchisor, any Franchise Assignee, or guarantor thereof under the Lease unless and until the Lease is assigned to, and accepted in writing by a Franchise Assignee. In the event of any assignment or purported assignment under this Addendum, Tenant will remain liable under the terms of the Lease and the assignee or subtenant will retain all of the Tenant's rights granted in the Lease including without limitation: (i) any grant of a protected territory or use exclusivity; and (ii) the renewal or extension of the Lease term. With respect to any assignment proposed or consummated under this Addendum, Landlord hereby waives any rights it may have to: (i) recapture the Premises; (ii) terminate the Lease; or (iii) modify any terms or

conditions of the Lease. If Franchisor accepts an assignment and assumes the Lease under this section, Franchisor will have the right to further sublet or reassign the Lease to another Franchise Assignee without Landlord's consent in which event Franchisor will be released from any obligation or liability under the Lease. As used in this Addendum, "Franchise Assignee" means: (i) Franchisor or Franchisor's parent, subsidiary, or affiliate; or (ii) any franchisee of Franchisor or of Franchisor's parent, subsidiary, or affiliate.

4. Default and Notice.

a. If Tenant defaults on or breaches the Lease and Landlord delivers a notice of default to Tenant, Landlord will contemporaneously send a copy of such default notice to Franchisor. Franchisor will have the right, but not the obligation, to cure the default during Tenant's cure period plus an additional ten-day period. Franchisor will notify Landlord whether it intends to cure the default prior to the end of Tenant's cure period.

b. All notices to Franchisor will be sent by registered or certified mail, postage prepaid, to the following address:

Rush Bowls Franchising, LLC
11031 Sheridan Boulevard, Suite One
Westminster, Colorado 80020

Franchisor may change its address for receiving notices by giving Landlord written notice of the new address. Landlord agrees that it will notify both Tenant and Franchisor of any change in Landlord's mailing address to which notices should be sent.

c. Tenant and Landlord agree not to terminate, or materially amend the Lease during the term of the Franchise Agreement or any renewal thereof without Franchisor's prior written consent. Any attempted termination, or material amendment will be null and void and have no effect as to Franchisor's interests thereunder; and a clause to the effect will be included in the Lease.

5. Termination or Expiration.

a. If Franchisor does not elect to take an assignment of the Tenant's interest, Landlord will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Landlord, to remove all signs, awnings, and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect the Franchisor's trademarks and franchise system and to distinguish the Premises from a Franchised Business, provided that Franchisor repairs any damage caused to the Premises by exercise of its rights hereunder.

b. If any Franchise Assignee purchases any assets of Tenant, Landlord will permit such Franchise Assignee to remove all the assets being purchased, and Landlord waives any lien rights that Landlord may have on such assets.

6. Consideration; No Liability.

a. Landlord acknowledges that the Franchise Agreement requires Tenant to receive Franchisor's approval of the Lease prior to Tenant executing the Lease and that this Addendum is a material requirement for Franchisor to approve the Lease. Landlord acknowledges Tenant would not lease the Premises without this Addendum. Landlord also hereby consents to the Collateral Assignment of Lease from Tenant to Franchisor as evidenced by Attachment 1.

b. Landlord further acknowledges that Tenant is not an agent or employee of Franchisor, and Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any Franchise Assignee, and that Landlord has entered into this with full understanding that it creates no duties, obligations, or liabilities of or against any Franchise Assignee.

7. Amendments. No amendment or variation of this Addendum will be valid unless made in writing and signed by the Parties hereto.

8. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions, and covenants of the Lease will remain in full force and effect and are incorporated herein by reference and made a part of this Agreement as though copies herein in full.

**IN TESTIMONY WHEREOF**, witness the signatures of the Parties hereto as of the day, month, and year first written above.

| **LANDLORD:** | **TENANT:** |
|---|---|
| _____ | _____ |
| By: _____ | By: _____ |
| Print Name: _____ | Print Name: _____ |
| Title: _____ | Title: _____ |

**FRANCHISOR:**

_____

By: _____

Print Name: _____

Title: _____

**EXHIBIT H-6 – Attachment 1**

**ATTACHMENT 1 TO LEASE ADDENDUM**

**COLLATERAL ASSIGNMENT OF LEASE**

FOR VALUE RECEIVED, as of the ___ day of _____, 20___ (the "Effective Date"), the undersigned, _____ ("Assignor") hereby assigns, transfers and sets over unto _____ ("Assignee") all of Assignor's right, title, and interest as tenant, in, to and under that certain lease, a copy of which is attached hereto as Exhibit A (the "Lease") with respect to the premises located at _____. This Collateral Assignment of Lease (the "Assignment") is for collateral purposes only and except as specified herein, Assignee will have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Assignee expressly assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein, and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under that certain Franchise Agreement for a franchise between Assignee and Assignor (the "Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee will have the right and is hereby empowered, in Assignee's sole discretion, to: (i) cure Assignor's default of the Lease; (ii) take possession of the premises demised by the Lease; (iii) expel Assignor from the premises, either temporarily or permanently; (iv) terminate Assignee's rights, title, and interest in the Lease; and/or (v) assume the Lease. If Assignee expends sums to cure a default of the Lease, Assignor will promptly reimburse Assignee for the cost incurred by Assignee in connection with such performance, together with interest thereon at the rate of 2% per month, or the highest rate allowed by law.

Assignor agrees it will not suffer or permit any surrender, termination, amendment, or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it will elect and exercise all options to extend the term of or renew the Lease not less than 30 days before the last day that said option must be exercised, unless Assignee otherwise agrees in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest to exercise the extension or renewal options in the name, place, and stead of Assignor for the sole purpose of effecting the extension or renewal.

[SIGNATURE PAGE FOLLOWS]

**IN WITNESS WHEREOF**, Assignor and Assignee have signed this Collateral Assignment of Lease as of the Effective Date first above written.

**ASSIGNOR:**

_____

By: _____

Print Name _____

Its: _____

**ASSIGNEE:**

_____

By: _____

Print Name _____

Its: _____

# EXHIBIT I

## FRANCHISE DISCLOSURE QUESTIONNAIRE

## FRANCHISE DISCLOSURE QUESTIONNAIRE

As you know, Rush Bowls Franchising, LLC ("we" or "us"), and you are preparing to enter into a Franchise Agreement and an Area Development Agreement, if applicable, for the operation of a Rush Bowls franchise. **You cannot sign or date this questionnaire the same day as the Receipt for the Franchise Disclosure Document, but you must sign and date it the same day you sign the Franchise Agreement and Area Development Agreement, if applicable.** Please review each of the following questions carefully and provide honest responses to each question. If you answer "No" to any of the questions below, please explain your answer in the table provided below.

| | | | |
|---|---|---|---|
| l. | Yes__ | No__ | Have you received and personally reviewed the Franchise Agreement and Area Development Agreement, if applicable, and each attachment or exhibit attached to it that we provided? |
| 2. | Yes__ | No__ | Have you received and personally reviewed the Franchise Disclosure Document and each attachment or exhibit attached to it that we provided? |
| 3. | Yes__ | No__ | Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it? |
| 4. | Yes__ | No__ | Do you understand all the information contained in the Franchise Disclosure Document, Franchise Agreement, and Area Development Agreement, if applicable? |
| 5. | Yes__ | No__ | Have you reviewed the Franchise Disclosure Document, Franchise Agreement, and Area Development Agreement, if applicable, with a lawyer, accountant, or other professional advisor, or have you had the opportunity for such review and chosen not to engage such professionals? |
| 6. | Yes__ | No__ | Have you had the opportunity to discuss the benefits and risks of developing and operating a Rush Bowls Franchise with an existing Rush Bowls franchisee? |
| 7. | Yes__ | No__ | Do you understand the risks of developing and operating a Rush Bowls franchise? |
| 8. | Yes__ | No__ | Do you understand the success or failure of your Rush Bowls franchise will depend in large part upon your skills, abilities, and efforts, and those of the persons you employ, as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs, and other relevant factors? |
| 9. | Yes__ | No__ | Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement and Area Development Agreement, if applicable, must be litigated in Colorado, if not resolved informally or by negotiation (subject to state law)? |
| 10. | Yes__ | No__ | Do you understand that you must satisfactorily complete the initial training program before we will allow your Rush Bowls Restaurant to open or consent to a transfer of the Rush Bowls franchise to you? |

11. Yes__ No__ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Rush Bowls franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

12. Yes__ No__ Do you agree that no employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement and Area Development Agreement, if applicable, and any addendum, concerning advertising, marketing, media support, marketing penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

13. Yes__ No__ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Rush Bowls franchise will generate that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

14. Yes__ No__ Do you understand that the Franchise Agreement and Area Development Agreement, if applicable, including each attachment or exhibit to the Franchise Agreement and Area Development Agreement, if applicable, contains the entire agreement between us and you concerning the Rush Bowls franchise?

15. Yes__ No__ Do you understand that we are relying on your answers to this questionnaire to ensure that the franchise sale was made in compliance of state and federal laws?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

| | |
|---|---|
| Signature of Franchise Applicant | Signature of Franchise Applicant |
| Name (please print) | Name (please print) |
| Date | Date |

EXPLANATION OF ANY NEGATIVE RESPONSES (REFER TO QUESTION NUMBER):

| Question Number | Explanation of Negative Response |
|---|---|
| | |
| | |
| | |

# EXHIBIT J

## STATE EFFECTIVE DATES

## State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

| State | Effective Date |
|---|---|
| California | |
| Illinois | |
| Indiana | |
| Minnesota | |
| New York | |
| Virginia | |
| Washington | |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT K**

**RECEIPT**

**RECEIPT**
**(Retain This Copy)**

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 Rush Bowls Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Under Iowa law, if applicable, Rush Bowls Franchising, LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires Rush Bowls Franchising, LLC to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Rush Bowls Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency identified on Exhibit A. Rush Bowls Franchising, LLC authorizes the respective state agencies on Exhibit A to receive service of process for it in the particular state.

| The name, principal business address, and telephone number of each franchise seller offering the franchise is: |
|---|
| Andrew Pudalov, 11031 Sheridan Boulevard, Suite One, Westminster, Colorado 80020, (720) 487-9317 |
| JD Tulloch, 11031 Sheridan Boulevard, Suite One, Westminster, Colorado 80020, (720) 487-9317 |
| Philip Jacobs, 42752 Sand Dune Drive, Palm Desert, California 92211, (858) 472-4883 |

Issuance Date: March 14, 2022.

I received a disclosure document issued on March 14, 2022, which included the following exhibits:

| | |
|---|---|
| Exhibit A | List of State Administrators and Agents for Service of Process |
| Exhibit B | Financial Statements |
| Exhibit C | Franchise Agreement |
| Exhibit D | Area Development Agreement |
| Exhibit E | List of Current and Former Franchisees |
| Exhibit F | State Addenda and Agreement Riders |
| Exhibit G | Franchise Operations Manual Table of Contents |
| Exhibit H | Contracts for use with the Rush Bowls Franchise |
| Exhibit I | Franchise Disclosure Questionnaire |
| Exhibit J | State Effective Dates |
| Exhibit K | Receipt |

| | | |
|---|---|---|
| Date | Signature | Printed Name |
| Date | Signature | Printed Name |

**PLEASE RETAIN THIS COPY FOR YOUR RECORDS.**

**RECEIPT**
**(Rush Bowls Franchising, LLC Copy)**

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 Rush Bowls Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Under Iowa law, if applicable, Rush Bowls Franchising, LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires Rush Bowls Franchising, LLC to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Rush Bowls Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the appropriate state agency identified on Exhibit A. Rush Bowls Franchising, LLC authorizes the respective state agencies on Exhibit A to receive service of process for it in the particular state.

| The name, principal business address, and telephone number of each franchise seller offering the franchise is: |
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| Exhibit K | Receipt |

| | | |
|---|---|---|
| Date | Signature | Printed Name |
| Date | Signature | Printed Name |

**Please sign this copy of the receipt, date your signature, and return it to Rush Bowls Franchising, LLC, 11031 Sheridan Boulevard, Suite One, Westminster, Colorado 80020.**