

FRANCHISE DISCLOSURE DOCUMENT

The Rush Coffee Franchise Group LLC
a California Limited Liability Company
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The Rush Coffee franchised business (“The Rush Coffee Franchised Business” or the “Franchised Business”) offers premiere coffee, espresso drinks, specialty smoothies, Italian sodas, teas, shaved ice, other beverages, baked goods, and desserts.

The total investment necessary to begin the operation of a The Rush Coffee Franchised Business is \$49,100 to \$. This includes \$22,000 that must be paid to the Franchisor and its affiliate(s).

The additional total investment necessary to begin operation of subsequent franchise under an Area Development Agreement is \$17,000 to \$85,000. This includes \$17,000 to \$85,000 that must be paid to the Franchisor and its affiliate(s). There is no maximum number of additional The Rush Coffee franchises you may open under an Area Development Agreement.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Claire Oksayan at 757 N. Twin Oaks Valley Rd., Suite 2, San Marcos, CA 92069, and (760) 402-8225.

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 contracts carefully. Show your contract and this disclosure document to trusted advisors, like your lawyer and/or accountant.

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

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

ISSUANCE DATE: April 20, 2023

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 I
How much will I need to invest?	Items 5 and 6 list fees you will either pay 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 K includes financial statements; review these statements carefully
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the company-owned and franchised outlets
Will my business be the only The Rush Coffee business in my area?	Item 12 and the "territory" provisions contained in the Franchise Agreement describe the limitations on whether the franchisor and other franchisees can compete with you in your area
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 The Rush Coffee Franchise Group LLC franchisee?	Item 20 or EXHIBIT I and EXHIBIT J lists current and former franchisees; you can contact them to ask about their experience.
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 Franchised Business or may harm your Franchised 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 Franchised Business.

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The Franchise Agreement requires you to resolve disputes with the Franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the Franchisor in California than in your own state.
2. **Short operating history.** The Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Financial Condition.** Franchisor is undercapitalized (see Item 21) and may not be able to meet preopening obligations to all franchisees.
4. **Mandatory minimum payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
5. **Supplier control.** You must purchase all of the inventory or supplies that are necessary to operate your business from the Franchisor, its affiliates, or suppliers that the Franchisor designates, at prices the Franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your Franchised Business.

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

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

The Franchisor

To simplify the language in this disclosure document, “The Rush Coffee Franchise Group LLC,” “The Rush Coffee,” “we,” “the Franchisor,” or “us” means The Rush Coffee Franchise Group LLC, the Franchisor. “You” means the individual or business entity that buys the franchise, and includes each partner, shareholder, member, or other owner of that entity. The Rush Coffee Franchise Group LLC is a California Limited Liability Company formed on June 15, 2021. Our principal office is located at 757 N. Twin Oaks Valley Rd., Suite 2, San Marcos, CA 92069. Our agents for service of process are listed in EXHIBIT F.

Predecessors, Parents, and Affiliates

We do not have any parents. We do not have and have not any predecessors during the 10-year period immediately before the close of our most recent fiscal year.

We do not have any affiliates, parents, or predecessors that offer franchises in any other line of business.

We do not have any affiliates, parents, or predecessors that provide products or services to our franchisees.

Our affiliates, The Rush Coffee, LLC, have operated businesses like The Rush Coffee franchises being offered in this disclosure document since March of 2017.

Our Other Business Activities

We do not offer franchises in any other line of business. We are the sole exclusive supplier of all coffee, frappe mix, teas, straws, and printed coffee sleeves and the nonexclusive supplier of smoothie mixes to The Rush Coffee franchisees.

Our Business and Franchise Offered

We do business under the name The Rush Coffee and no other names. Our franchised business offers premiere coffee, espresso drinks, specialty smoothies, Italian sodas, teas, shaved ice, other beverages, baked goods, and desserts. We offer the franchises under the form of a Franchise Agreement attached to this disclosure document (the “Franchise Agreement”).

As one of our franchisees, you will use specialized business formats and systems, called the “System,” which we may modify, supplement, and update from time to time. You will use certain services or trademarks and other commercial symbols referring to The Rush Coffee brand, products, and services, which we call the “Marks.” The Rush Coffee Franchised Businesses must provide all and only The Rush Coffee products and services unless we consent in writing.

If you desire and qualify to develop multiple The Rush Coffee Franchised Businesses, we offer the opportunity to enter into an Area Development Agreement with us (the “Area Development Agreement”). Under an Area Development Agreement, you are granted the ability to develop multiple The Rush Coffee Franchised Businesses within a designated area (the “Development Area”) in accordance with a development schedule specified in the Area Development Agreement (the “Development Schedule”). Our current form of Area Development Agreement is attached as Exhibit “B” to this Disclosure Document.

For each Franchised Business that you open, you must sign a then-current form of The Rush Coffee Franchise Agreement.

For each future unit Franchise Agreement, you may be required to sign a form of the Franchise Agreement that is different from the Franchise Agreement included in this disclosure document. If you do not open your Franchised Businesses per the Development Schedule, we may terminate the Area Development Agreement, and you will lose the ability to develop other The Rush Coffee Franchised Businesses under the Area Development Agreement. In such cases, and in our sole discretion, we may keep the full development fee that you paid. In no event, however, will such a failure on your part constitute a breach or termination of the Franchise Agreement(s) for The Rush Coffee Franchised Business(es) already opened.

We may continue to develop new products and services, but we are not obligated to do so. If we do develop new products or services, we may offer you the opportunity to provide such products or services, but we are not required to offer you such opportunity, and if we do, we may require you to take additional training, pay additional fees, sign additional agreements, or meet other requirements.

You have no obligation or right to open any additional The Rush Coffee Franchised Business unless you sign a subsequent Area Development Agreement.

Industry-Specific Regulations

In addition to laws governing business generally, such as the Americans with Disabilities Act, federal wage and hour laws, and the Occupational Safety and Health Act, your The Rush Coffee Franchised Business will be subject to and have to comply with local ordinances and other permits and licensure requirements for a mobile food truck, which may vary greatly by state, county, and local ordinances. For example, some jurisdictions may require you to obtain a restaurant permit and licensure, while others will require that you obtain a business license to operate within their borders. In California and other states, franchisees are required to obtain a decal from the United States Department of Housing and Urban Development for all mobile food trucks that you stand inside to serve.

It is your responsibility to investigate and comply with all applicable laws affecting your Franchised Business.

General Description of the Market and Competition

The market for goods and/or services that will be offered by the franchised business industry is developing with competition from local and national brands. The coffee, espresso drinks, smoothies, sodas, teas, shaved ice, other beverages, baked goods, and desserts industries are not seasonal.

The target audience for a The Rush Coffee business is community events, corporate events, private catering events, street fairs, farmers markets, and elementary schools (e.g., to serve teachers and parents during drop-off in the mornings). We are also a great solution for employee, client, and teacher appreciation events, catering for parties (e.g., office parties, weddings, baby showers, etc.).

Prior Business Experience

Our affiliate, The Rush Coffee, LLC, has operated businesses like The Rush Coffee franchises being offered in this disclosure document since March of 2017. We began The Rush Coffee franchises as described in this disclosure document on July 29, 2021.

ITEM 2: BUSINESS EXPERIENCE

Parsegh Oksayan, Owner and Manager

Mr. Oksayan is and has been our and our affiliate's, The Rush Coffee, LLC, Owner and Manager since our inception in June of 2021 and October of 2016, respectively. Prior to that time, Mr. Oksayan was Warehouse & Distribution Manager with Evolv Tan in San Marcos, California, from September of 2015 to October of 2017.

Claire Oksayan, Owner and Manager

Mrs. Oksayan is and has been our and our affiliate's, The Rush Coffee, LLC, Owner and Manager since our inception in June of 2021 and October of 2016, respectively. Prior to that time, Mrs. Oksayan was Director of Programs & Contracts with 2-1-1 San Diego at an address of 5251 Viewridge Court, San Diego, CA, from February of 2007 to July of 2017.

ITEM 3: LITIGATION

No litigation is required to be disclosed in this item.

ITEM 4: BANKRUPTCY

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

ITEM 5: INITIAL FEES

Initial Franchise Fee

The Rush Coffee's initial franchise fee is \$22,000. The initial franchise fee is uniformly charged for all franchises currently being offered. You must pay the initial franchise fee in full when you sign the Franchise Agreement. Subject to the impound requirements discussed below, the initial franchise fee is considered fully earned upon receipt and is therefore nonrefundable.

Area Development Fee/Franchisee Discount

The Area Development Fee is \$17,000 per additional franchise. This fee will take the place of a new initial franchise fee. The development fee is payable 1/2 upon signing the Area Developer Agreement and 1/2 upon signing the Franchise Agreement for the additional franchise/territory. You must open a minimum of one additional The Rush Coffee Franchised Business under an Area Development Agreement. There is no maximum number of additional The Rush Coffee Franchised Businesses under an Area Development Agreement. The Area Development Fee is uniformly charged for all Area Development Agreements currently being offered. The Area Development Fee is considered fully earned and is therefore non-refundable upon payment.

To qualify for this Franchisee discount, you must be in good standing with Franchisor (i.e., not default of your current Franchise Agreement(s) and any other agreements by and between us, our affiliates, and you or your affiliates).

We reserve the option to discount initial fees, discontinue discount(s) offers at any time, or offer new discounts in the future.

Other Initial Fees

Before starting your Franchised Business, you must pay us \$1,000 for a Startup Package that includes a 1-week supply of coffee, frappe mix, smoothie mix, teas, straws, cups, lids, printed coffee sleeves, milk, and accessories. The amount charged for this Package is uniformly charged all franchisees, and subject to the impound requirements discussed below, is nonrefundable.

Veterans Discount

We offer a 5% discount on the initial franchise fee to honorably discharged U.S. military veterans as a token of our appreciation for their service. The discount is subject, in our sole discretion, to our verifying your prior honorable discharge.

Initial Fees Impounded

The Rush Coffee shall deposit 100% of the initial fees paid by you into an escrow account managed by the Allison-McCluskey Escrow Company, a depository authorized by the Commissioner of the Department of Financial Protection and Innovation. This impounding of all initial fees paid by you to The Rush Coffee shall comply with the terms of an Escrow Agreement to be signed by you and The Rush Coffee and shall remain with the depository until The Rush Coffee has performed all of its pre-opening obligations owed to you, you are open for business, and the Department of Financial Protection and Innovation has authorized the release of the impounded funds.

Subject to The Rush Coffee's fulfillment of all of its pre-opening obligations, the initial fees shall not be refundable under any circumstances. Except as explained and listed above, the initial fees are uniformly calculated for all Franchised Businesses currently being offered.

ITEM 6: OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Royalty Fee	5% of Gross Revenues ¹ each month after opening for months 1-6; \$500 per month for months 7 through 12; and beginning in month 13, \$750 per month plus 1% of Gross Revenues	15th of each month	Royalty Fees are payable by electronic funds transfer
Late Fees	\$50 per day	Upon demand	A late fee must be paid on any payment to us that is more than 5 calendar days late
Interest	10% per annum, or the maximum permitted by law, whichever is less	Upon demand	In addition to the Late Fee, interest is assessed on any payment to us that is more than 30 calendar days late.

Name of Fee	Amount	Due Date	Remarks
			The interest accrues from the date the payment was due
Insurance ²	Amount of premium paid by The Rush Coffee Franchise Group LLC plus 20%	Upon demand	If you do not purchase insurance coverage as required (see Item 8), you must reimburse us this amount to secure insurance coverage
Additional Training and Conventions ³	No charge for initial training; \$300 per day, plus travel expenses, for additional onsite training and support;	Upon your registration for the training or convention	For training and support beyond the initial training, you must pay the current training fee
Transfer Fee	\$4,000	Prior to the transfer of Franchised Business or Area Development Agreement	A transfer includes any sale, assignment, conveyance, giving away, pledging, mortgaging, or otherwise encumbering any interest in the Franchised Business
Renewal Franchise Fee	50% of the then-current initial franchise fee	At least 9 months before the expiration of the applicable Franchise Agreement	In addition to paying this fee, other conditions must be met, as listed in the Franchise Agreement
Interim Franchise Royalty Fees	Franchisor's then-current Royalty Fee, plus an additional 2% of gross revenues	15th of each month when applicable	An Interim Franchise Fee applies if your Franchise Agreement expires, no renewal Franchise Agreement is signed, and you continue operation of the Franchised Business
Relocation Fee	Variable	When applicable	If you relocate your Franchised Business, you must reimburse us for the cost and expense we incur, if any, in connection with your relocation

Name of Fee	Amount	Due Date	Remarks
Step-In Right Expenses ⁴	Variable	As incurred	If you are absent, ill, or unable to operate the Franchised Business, or fail to pay taxes or required amounts, or the Franchised Business is having a significant negative impact on the Franchisor, we may step-in and take over operations of the Franchised Business, and you must reimburse us for all such associated costs and expenses (e.g., labor costs, attorneys' fees, etc.)
Audit	All costs of inspection and audit	Upon demand	You must reimburse us audit expenses if the audit is initiated due to your non-compliance with the terms herein or the Rush Coffee's Operating Manual or if an inspection reveals an understatement of Gross Revenues by 3% or more
System Standard Violation	All costs of inspection and audit	Upon demand	If you fail to adhere to the System Standards, you must reimburse us for any and all costs and expenses associated with counsel, inspection, support, assistance, enforcement rendered to and against Franchisee regarding said System Standards violation and/or non-compliance
Cost of Enforcement	Cost including attorneys' fees	Upon demand	You must reimburse us for all costs to enforce obligations under the Franchise Agreement if we prevail
Indemnification	Cost including attorneys' fees	Upon demand	You must defend suits at your cost and hold us harmless against suits involving damages resulting from your operation of the Franchised Business
Sales/Use Taxes ⁵	Variable	Payable with your royalty fee payments	You must pay any state or local sales or use tax that may be assessed on fees paid to us

¹“Gross Revenues” means any money and other consideration you receive in connection with the ownership or operation of your Franchised Business and from the sale of any authorized products and services or from the sale of any goods or services under the Marks. Gross Revenues do not include sales or excise taxes that are separately stated and that you are required to collect from customers and pay to a governmental taxing authority.

² You must obtain the insurance coverage described in Item 8.

³ We provide an initial tuition-free training program that includes orientation to The Rush Coffee’s System Standards, customer service, operational management, financial management, computer software use, advertising and marketing, and reporting procedures. The initial tuition-free training time varies depending on your experience, but for a new Franchisee, it typically last about 2 weeks. In addition, we offer additional onsite assistance and training at our then applicable hourly rate (which is currently \$300 per day, plus travel expenses). We may provide additional training programs at reasonable times and at locations selected by us during the term of the Franchise Agreement. We may also require attendance at other additional training programs.

⁴ We may step in to operate your Franchised Business if, in our commercially reasonable discretion, we deem it necessary to prevent any interruption or harm to the Franchised Business or to The Rush Coffee or its other franchisees. Such reasons may include, without limitation, our determination that you: (a) are incapable of operating the Franchised Business (e.g., you suffer from a mental or emotional disorder that prevents you from fulfilling your obligations, or you are otherwise absent as a result of your incapacitation or death); (b) have failed to pay when due any taxes or assessments owed by the Franchised Business; (c) have failed to pay when due any liens or encumbrances of every kind placed upon or against your business property; or (d) we decide that operational problems require us to operate the Franchised Business for a time. All revenue derived from our operation of Franchised Business will be credited to a separate account for your benefit, but we may pay from that account all expenses, debts, and liabilities that we incur during our operation of Franchised Business.

⁵ The royalties or other fees you pay to us may be entirely or partially subject to state or local sales or use tax, depending upon the laws in your state. If we are required to pay these taxes in your state, you must add the tax to what you pay us. All fees are nonrefundable and uniformly imposed on all new franchisees. Some franchisees under prior agreement or future versions of our Franchise Agreement or by negotiated agreements may be obligated to pay more, less, or different fees than what is listed here.

ITEM 7: ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Initial Franchise Fee	\$22,000	Lump-sum via check or wire	Upon signing the Franchise Agreement	Us
Vehicle ¹	\$20,000 to \$160,000	As incurred	Before beginning operations	Supplier
Initial Inventory ²	\$1,000 to \$3,000	As incurred	Before beginning operations	Suppliers

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Insurance ³	\$500 to \$1,000	As incurred	Before beginning operations	Insurance companies
Signage ⁴	\$150 to \$250	As incurred	Before beginning operations	Suppliers
Office Equipment & Supplies ⁵	\$75 to \$300	As incurred	Before beginning operations	Suppliers
Computer Equipment (Hardware, Software, POS System, etc.) ⁶	\$150 to \$500	As incurred	Before beginning operations	Suppliers
Training ⁷	\$100 to \$3,000	As incurred	Before beginning operations	Airlines, hotels, restaurants, and other suppliers
Licenses & Permits ⁸	\$25 to \$1,000	As incurred	Before beginning operations	Licensing authorities
Legal & Accounting ⁹	\$0 to \$800	As incurred	Before beginning operations	Attorney, accountant, and other consultants
Grand Opening Advertising ¹⁰	\$100 to \$250	As incurred	Before opening and during the first 3 months of operation	Vendors
Additional Funds—three months ¹¹	\$5,000 to \$12,500	As incurred	As necessary	Us, vendors, lessor, etc.
TOTAL ¹²	\$49,100 to \$204,550			

¹ You will operate your Franchised Business from a truck or trailer equipped with The Rush Coffee mobile package. The upper estimate is based on an assumption that you will purchase a truck and the lower estimate is based on purchasing a trailer or financing the purchase of a truck. Some sellers may provide a refund if you cancel before branding or taking possession of the truck or trailer.

² You must purchase an initial inventory for your Franchised Business. The money you pay for inventory items may not be refundable depending on the purchase arrangements. Factors determining whether the inventory is refundable typically include the condition of the items at time of return, level of use, and length of time of possession. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing. Before starting your Franchised Business, you must pay us \$1,000 for a startup package that includes a 1-week supply of coffee, flavored syrups, frappe mix, smoothie mix, teas, straws, cups, lids, printed coffee sleeves, milk, and accessories. The amount charged for this startup package is uniformly charged for all franchisees and is nonrefundable.

³ You must obtain the insurance coverage described in Item 8.

⁴ This range includes the cost of all signage used in your Franchised Business. The signage requirements and costs will vary based upon a number of factors, including without limitation, the size and location of the vehicle you purchase, landlord/HOA requirements, local wage rates for installation, etc. The amounts you pay for signage are typically non-refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchase. We must approve all signage before you order it.

⁵ You must purchase general office supplies including stationery, business cards, and typical office equipment. There are a variety of factors that may affect your cost of office equipment and supplies (e.g., market conditions, competition amongst suppliers, etc.). We do not know if the amounts you pay for office equipment and supplies will be refundable. Factors determining whether office equipment and supplies are refundable typically include the condition of the items at time of return, level of use, and length of time of possession. You should inquire about the return and refund policy of the suppliers at or before the time of purchase.

⁶ You must purchase the computer equipment, hardware, and software necessary for operating the Franchised Business. We currently require you to have and use Square for your point of sale and invoicing. The amounts you pay for computer equipment are typically non-refundable, or if refundable, may be subject to a “restocking” fee. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing. You must use the point of sale and invoicing system that we designate (which, as was indicated above, is currently Square).

⁷ The cost of initial training for you and your Franchised Business’ Designated Manager is included in the initial franchise fee. The amount in the table above reflects your travel and stay expenses during the initial training. You must pay us additional tuition for additional trainees beyond you and your Designated Manager at our then-current rate (now \$300 per day of training, per person), which is currently \$300 per day of training, per person and \$300 per day plus travel expenses for onsite training.

⁸ State and local government agencies typically charge fees for occupancy permits, operating licenses, health department licenses, and construction permits. Your actual costs may vary from the estimates based on the requirements of state and local government agencies. These fees are typically non-refundable. You should inquire about the cancellation and refund policy of the agencies at or before the time of payment.

⁹ You should employ an attorney, an accountant, and other professionals to assist you in establishing your Franchised Business. Such fees may vary from location to location depending on the prevailing rates of local attorneys, accountants, and consultants. These fees are typically non-refundable. You should inquire about the refund policy of the attorney, accountant, or consultant at or before the time of hiring.

¹⁰ This is the amount that we recommend you spend on advertising upon opening. The range will depend on your Territory and local market demographics.

¹¹ We recommend that at all times while you're operating the Franchised Business, you have a minimum amount of money available to cover 3 months of your operating expenses—e.g., vehicle payments, additional inventory, supplies, professional fees, labor costs, etc. Additional working capital may be required if sales are low or operating costs are high. These expenses are typically non-refundable. In compiling this chart, we relied on research and investigation regarding the operating history, knowledge, and experience of similar businesses and the startup operation of The Rush Coffee businesses. The amounts shown are estimates only and may vary for many reasons, including without limitation, the capabilities of your management team and your business experience and acumen. These figures are estimates only and we cannot guarantee that You will not have additional expenses in starting the Franchised Business.

¹² Please keep in mind that the total figure listed in the table above does not include compensation for your time or labor. Nor does the total figure take into account any finance charges, interest, debt service, or other costs that you may incur to finance all or any portion of your investment. In addition to the initial investment itemized in the table above, you must have additional monies available, whether in cash or through a line of credit, or have other assets that you can liquidate or against which you can borrow, to cover your personal living expenses, as well as any operating losses sustained during the initial phase of your operations. You should review these figures carefully with a trusted business/financial advisor before making any decision to purchase the Franchised Business. We do not offer direct or indirect financing for any of your initial investment. All amounts paid to us are nonrefundable. Typically, amounts paid to third parties will not be refundable unless agreed.

Area Development

If you desire to purchase additional territories, are qualified by us, and enter into an Area Development Agreement with us, your additional estimated initial investment will be as follows.

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Area Development Fee ¹	\$17,000 to \$85,000	Lump-sum	The development fee is payable 1/2 upon signing the Area Development Agreement and 1/2 upon signing the Franchise Agreement for the additional territory	Us
TOTAL	\$17,000 to \$85,000			

¹ If you desire and qualify for more than one Territory, an Area Development Fee is \$17,000 per an additional franchise. The upper range is for four additional franchises under an Area Development Agreement and the lower range is for one additional franchise.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Specifications—Generally

The Rush Coffee worked hard to establish a set of uniform specifications, standards, operating procedures, and rules for the development and operation of your Franchised Business, the Franchisor itself, and all the other franchisees (collectively referred to as our “System Standards”). We believe our System Standards help increase the demand for our products and services, which in turn help maintain and improve The Rush Coffee’s (and our franchisees’) goodwill and reputation for high quality coffee-related products. The System Standards are described in Operating Manual, or in subsequent publications that may be communicated to you.

Current Specifications

Below is a listing of The Rush Coffee specifications and System Standards for the identified categories.

Insurance

You are obligated to maintain and keep the following minimum insurance coverage from an insurance company with a Best rating of “A” or better: (a) comprehensive general liability in the amount of \$1,000,000 per occurrence and \$2,000,000 in the aggregate; (b) automobile insurance in the amount of \$1,000,000; (c) property insurance in an amount sufficient to replace the equipment, inventory, the vehicle from which you are operating the Franchised Business, and any necessary business-related personal property upon loss or damage; (d) theft insurance in the amount of \$25,000; (e) business interruption insurance in the amount of \$100,000; (f) an umbrella policy in at least the amount of \$1,000,000; (g) accidental medical coverage for you and your employees in at least the sum of \$25,000; and (h) any other insurance required by applicable law (e.g., worker’s compensation insurance).

All policies must provide for at least 30 calendar days’ notice to Franchisor before cancellation, and must name us as an additional insured. Evidence of the required insurance must be in place at least 10 calendar days before you begin the operation of your Franchised Business, and a certificate of renewal must be provided no later than 10 calendar days before the expiration date of each policy.

The Site of the Franchised Business

As was indicated above, you will operate your Franchised Business from a truck or trailer equipped with The Rush Coffee mobile package—i.e., the “Franchised Business Site” or “Site.” While we do not select the vehicle that you purchase and use for your Franchised Business, we must approve the vehicle before you purchase it to ensure that it will meet the minimum requirements necessary for you to operate the Franchised Business.

Supplies, Fixtures, Equipment, Inventory

All the equipment, supplies, fixtures, inventory, and products for your Franchised Business must comply with The Rush Coffee System Standards.

Advertising

You shall use, display, and publish The Rush Coffee Marks per the System Standards. In addition to complying with the System Standards, all of your The Rush Coffee advertising—regardless of the medium—must be professional, accurate, and in conformity with applicable laws and regulations relating to consumer advertising.

All advertising containing The Rush Coffee Marks must be submitted to us for approval prior to implementation. Once you submit your advertising to us, we will have 15 calendar days to review the advertising, and within that time frame, we will provide you with written approval or denial of the advertising materials. Once we have approved a item of advertising, you will not be obligated to obtain further permission to continue using such advertising in the future.

Computer System

We currently require you to have and use Square for your point of sale and invoicing. We may, from time to time, develop or authorize others to develop proprietary software and applications for use in your Franchised Business, that you must purchase/license and use. In such cases, you may be required to execute documents to permit such license/use, as well as pay applicable fees for maintenance, updates, upgrades, and support required by us or any other approved licensor or approved supplier of such proprietary software programs.

Gift Cards and Loyalty Programs

You must participate in all coupon, gift card, and loyalty programs we may designate from time to time. You must honor all coupons, gift certificates, loyalty programs, and other promotions we may institute from time to time. You may not create or institute any coupon, gift card, or loyalty programs unless approved by us in writing.

Employee Uniforms

Your Franchised Business's employees and staff may be required to wear uniforms that conform to Franchisor's specifications, which are contained in the Operating Manual.

Designated and Approved Suppliers

To the extent that we designate a supplier for any products or services sold as part of the Franchised Business, you may not use any other supplier to provide those products or services without our express written consent. We may designate new or different approved suppliers from time to time, including ourselves or one of our affiliates.

Presently, we are the exclusive supplier of all coffee, teas, frappe mix, tea, straws, printed cups, and printed coffee sleeves. We are the non-exclusive supplier of smoothie mixes. We do not have any affiliates, parents, or predecessors that provide products or services to our franchisees. You must therefore purchase all of those items from us.

While you are free to purchase your vehicle or trailer from a variety of manufacturers, we must approve the vehicle before you purchase it to ensure that it meets the minimum requirements necessary for you to operate the Franchised Business.

With respect to the flavored syrups, smoothie mix, straws, paper goods (other than cups and sleeves), and desserts/pastries, while you must use the brands that we designate, you are free to purchase those items from our designated vendors or from any other source that you choose.

If you would like to utilize a supplier for one or more products or services outside of our exclusivity, you must obtain our written consent. Our general criteria for designating such suppliers include their: (a) ability to meet our quality standards; (b) availability; and (c) consistency of their products or services. Our specific criteria for designating and approving suppliers are not published and are not made available to franchisees.

To approve a supplier, we require: (a) a sample of the product(s); (b) information regarding the product's quality standards, availability, and terms and conditions of purchase; and (c) any other information that we may request. We may also request a physical inspection of the supplier's place of business or manufacturing facility, which if denied, will be a factor in our ultimate decision. We will generally notify you of our decision regarding the supplier within 30 calendar days of our receipt of the samples and information requested (and, if requested, a site visit). As a condition of approval, you must reimburse us for all reasonable costs incurred in approving the supplier, including without limitation, travel costs and legal fees. We reserve the right to revoke the approval of any supplier upon 30 calendar days' written notice to you.

We estimate that assuming the estimated minimum initial costs to begin operations and other financial obligations are within the ranges described in Item 7 of this disclosure document, the proportion of your purchases and leases of goods and services from approved suppliers or of products that meet our specifications to be approximately 80% to 90% of all the purchases and leases necessary to establish your Franchised Business, and approximately 12% of your ongoing costs once you commence operations.

None of The Rush Coffee Franchise Group LLC's officers, directors, or managers have an interest in any of The Rush Coffee's approved or designated vendors.

While we have not yet negotiated any special purchase arrangements with suppliers, including for price or terms that benefit franchisees, we reserve the right to do so in the future. There are no formal or mandatory purchasing or distribution cooperatives, but we reserve the right to institute cooperatives in the future.

We do not provide a material benefit to franchisees based on a franchisee's purchases of particular products or services or the use of particular suppliers.

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 under these agreements and in other items of this disclosure document.

The Section references are to those in the Franchise Agreement and Area Development Agreement unless otherwise noted.

Obligation	Section in Franchise Agreement / ADA, Respectively	Item in This Disclosure Document
a. Site selection and acquisition/lease	Section 4	Items 6 and 11

Obligation	Section in Franchise Agreement / ADA, Respectively	Item in This Disclosure Document
b. Pre-opening purchase/leases	Section VI	Item 8
c. Site development and other pre-opening requirements	Section VI / Section III	Items 6, 7, and 11
d. Initial and ongoing training	Section V	Item 11
e. Opening	Sections VI and VII	Item 11
f. Fees	Section III / II	Items 5 and 6
g. Compliance with standards and policies/operating manual	Section VI	Item 11
h. Trademarks and proprietary information	Sections XII and XII / I	Items 13 and 14
i. Restrictions on products/services offered	Section VI	Item 16
j. Warranty and customer service requirements	Section XX	Item 11
k. Territorial development and sales quotas	Section VII / III	Item 12
l. Ongoing product/service purchases	Sections VI and VII	Item 8
m. Maintenance, appearance, and remodeling requirements	Section VI	Item 11
n. Insurance	Section XI	Items 6 and 8

Obligation	Section in Franchise Agreement / ADA, Respectively	Item in This Disclosure Document
o. Advertising	Not Applicable	Not Applicable
p. Indemnification	Section XI / Section XI	Item 6
q. Owner's participation/ management/staffing	Sections V, VII, and VIII	Items 11 and 15
r. Records and reports	Sections IX and X	Item 6
s. Inspections and audits	Section X	Item 17
t. Transfer	Sections XVI / VIII	Item 17
u. Renewal	Section II	Item 17
v. Post-termination obligations	Section XVIII	Item 17
w. Non-competition covenants	Section XIX / IX	Item 17
x. Dispute resolution	Section XXIII / XI	Item 17
y. Other:	Not Applicable	Not Applicable

ITEM 10: FINANCING

We do not offer any direct or indirect financing. We do not guarantee any notes, leases, or financial obligations.

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

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

Pre-Opening Obligations

1. You will operate your Franchised Business from the Franchised Business Site—i.e., from the vehicle described elsewhere in this document. While we do not select the vehicle that you purchase and use for your Franchised Business, we must approve the vehicle before you purchase it to ensure that it will meet the minimum requirements necessary for you to operate the Franchised Business.
2. For your Site, we provide branding specifications for your mobile vehicle.
3. We provide you with the standards, specifications, and a list of designated and approved suppliers for all décor, equipment, signs, fixtures, opening inventory, supplies, products, and other materials you will need to operate the Franchised Business. We do not deliver or install equipment for your site. We are the sole exclusive supplier of all coffee, frappe mix, teas, straws, and printed coffee sleeves and the nonexclusive supplier of smoothie mixes to The Rush Coffee franchisees. We do not have any affiliates, parents, or predecessors that provide products or services to our franchises. Delivery is provided, but not installation. .
4. We provide a listing of all products and services that your Franchised Business may offer.
5. We provide final written approval prior to the opening of your Franchised Business..
6. We provide 2 calendar days of free onsite assistance upon opening. We may provide additional onsite assistance at our then-current rate, which currently is \$300 per day plus travel expenses.
7. We approve the Designated Manager of your Franchised Business. We do not select or hire your employees.
8. We provide you with an initial training program as further described in this item.
9. We loan or make available to you a copy of the Operating Manual, which is confidential and will remain our property. We may modify the Operating Manual from time to time. The table of contents for the Operating Manual is provided in Exhibit J. The current Operating Manual has a total of approximately 120 pages.

After the Franchised Business Opens

1. For your Site, we provide branding specifications for your vehicle for the site of your Franchised Business upon relocation or remodeling or updating upon relocation.
2. We maintain and provide updated System Standards—i.e., standards, specifications, and designated and approved suppliers for all the equipment, supplies, products, and other materials you will need to operate the Franchised Business.
3. We maintain and provide an updated listing of all products and services that your Franchised Business may offer.
4. We provide initial training for replacement staff and managers.

5. We may provide additional and ongoing training for staff and managers.
6. If you do not resolve a dispute with another franchisee, we may investigate the matter and work to resolve the dispute.
7. We provide continuing advice and/or assistance in operating your Franchised Business.
8. We will provide you with any updates and changes we might make to Operating Manual.
9. We may review your The Rush Coffee advertising material before you implement them.
10. To the extent permitted by law, we set and establish pricing for Franchised Business products to promote our System (e.g., uniformity and consistency). You must fully participate, honor, and comply with any and all System Standards, local, regional, seasonal, promotional, and other programs, initiatives, and campaigns adopted by us that we ask you to participate in.
11. We approve any replacement Designated Manager of your Franchised Business. We do not select or hire your employees.

Advertising

At your request, we will provide marketing consultation, general advertising strategy, promotional planning, and budgeting. We are not obligated to conduct advertising or spend any amount of money on advertising in your Territory or area.

Your Advertising

You must submit to us for our prior written approval samples of all advertising and promotional plans, materials, and all other materials displaying the Marks, and we will provide you with written approval or disapproval within 15 calendar days. You may not use your own advertising materials or other materials that bear the Marks unless you have received our prior written approval. We have a perpetual royalty free right to use any Franchisee-developed advertising.

You may not establish or maintain a domain name, an internet website, or webpage that relates to or advertises your Franchised Business or displays the Marks, as we reserve the exclusive right to control any websites or web pages concerning The Rush Coffee franchises and Marks.

Social Media

You must advertise and promote your Franchised Business via social media, which may be comprised of pages, communications, and content located on third-party platforms using the Marks as specified by us (collectively, the "Social Media"). For all such Social Media, you must grant us administrator access.

You must post to Instagram and Facebook at least once per week. While you are not obligated to submit your Social Media posts to us for review or approval, if we ask you to edit or remove any Social Media post, you must do so immediately.

All uses of the Social Media and communication channels and uses must be established in accordance, and at all-time remain in compliance with, the Operating Manual and System Standards.

We will be the sole owner of all related intellectual property rights of all Social Media and other digital and media accounts and all content posted on Social Media.

Gift Cards and Loyalty Programs

You must participate in all coupon, gift card, and loyalty programs we may designate from time to time. You must honor all coupons, gift certificates, loyalty programs, and other promotions we may institute from time to time. You may not create or institute any coupon, gift card, or loyalty programs unless authorized in writing by us.

Local Advertising

You are not obligated to spend any money on local advertising.

Computer/Software Requirements

We currently require you to have and use Square for your point of sale and invoicing. We estimate the cost of leasing or purchasing the computer system/software to be \$150 to \$500.

We may, from time to time, develop or authorize others to develop proprietary software and applications for use in your Franchised Business that you must purchase/license and use (together, with the above-referenced requirement to use Square, the "Computer System"). In such cases, you may be required to execute documents to permit such license/use, as well as pay applicable fees for maintenance, updates, upgrades, and support required by us or any other approved licensor or approved supplier of such proprietary software programs.

It is your obligation to maintain, repair, upgrade, and update your Computer System. Without a contractual limit on frequency and cost, you are required to lease, buy, use, update, and upgrade the computer hardware and software, mobile, internet, and other applications, or other programs that we designate and stipulate. We are not required, and we do not require our affiliates or third parties, to maintain, repair, upgrade, and update your Computer System. We estimate the annual costs of any optional or required maintenance updating, upgrading, or support contracts for the Computer Systems to be \$500 to \$1,000 (Article X of the Franchise Agreement).

You will use your Computer System to maintain information about your customers, prepare proposals and invoices, transmit payment for products or services, maintain the financial records of the Franchised Business, access internet sites, and communicate with prospective and current customers, suppliers us, and others via e-mail. You must provide us with independent access to all of the information that will be generated and stored on your computer/software system if we request it, including the delivery of a backup of your entire database. You acknowledge that there are no contractual limitations on our right to access the information.

Site Selection and Opening

The Franchised Business is a vehicle (i.e., a truck with a box or a trailer) equipped with The Rush Coffee mobile package. While we do not select your vehicle, your selection is subject to our pre-approval (Section IV of the Franchise Agreement). We do not own or lease any vehicles to franchisees for the operation of the Franchised Business.

To obtain our approval, you must provide us with all information and documents about the vehicle that we require. Some of the factors we consider in approving the vehicle are current market conditions, the Territory you will serve, and the condition and appearance of the vehicle. The time limit for us to approve or disapprove your proposed Site is 30 calendar days after you submit all of our required documents and information to us. We will provide you with branding specifications for your vehicle (Section IV of the Franchise Agreement). You are

responsible for ensuring that your vehicle conforms with all local ordinances, building codes, and/or HOA regulations. You are also responsible for obtaining any required permits for constructing, remodeling, or decorating the vehicle. We may, but are not obligated to, provide you with assistance in ensuring that your vehicle conforms to local ordinances and building codes, as well as with obtaining any required permits related to operating the Franchised Business.

The typical length of time between the signing of the Franchise Agreement, or the first payment of consideration for the Franchised Business, and opening the Franchised Business varies, but you should be able to commence operation within five months after signing the Franchise Agreement. Factors affecting this time period include, without limitation, how long it takes to complete any modification to your vehicle, completion of financing arrangements, compliance with local ordinances and obtaining permits, obtaining and installing equipment, your previous employment commitments (if any), your ability to complete our training program, and/or your hiring and training of your personnel.

If you do not secure a Site, or in exercising our obligations in good faith, we do not approve your vehicle, within four months from the signing of your Franchise Agreement, or if you do not open your Franchised Business within five months of the signing of the Franchise Agreement, we may terminate your Franchise Agreement and retain all money that you have paid us or our affiliates.

We approve each additional Site for any additional Franchised Businesses you may decide to open under the Area Development Agreement. Our then-current standards for Sites'/vehicles' approval will apply.

The typical length of time between the signing of the Area Development Agreement or the first payment of consideration for the Area Development Agreement and securing the truck or trailer for each additional franchise under the Area Development Agreement is an additional four to five months for each franchise. You must open each additional Franchised Business under the Area Development Agreement within an additional five months for each franchise. Factors affecting this time period include, without limitation, how long it takes to complete any modification of your subsequent Site, completion of financing arrangements, compliance with local ordinances, etc. (See above, and see the Area Development Agreement).

Training Program

We provide a tuition-free initial The Rush Coffee training program, which includes orientation to The Rush Coffee Franchise Group LLC system, customer service, operational management, financial management, computer software use, advertising/marketing, and reporting procedures. The training lasts up to two weeks, depending on your existing experience. The training is currently held in San Marcos, California, where you will bring your vehicle to us. We may, however, choose to change the location of your training to another location in San Diego or Orange County.

Instructional materials we provide to you may include manuals, videos, scripts, and PowerPoint presentations. Training is not scheduled on a regular basis but will be offered to you before opening the Franchised Business. You and your Franchised Business's Designated Manager must attend and successfully complete, to our satisfaction, the initial training before the opening of the Franchised Business. You must pay for all travel, lodging, and other costs of attending and participating in the initial training.

If you subsequently replace your Designated Manager, that individual must receive the initial training, which you will pay us to provide (at our then current training rates). Our current fee for training such replacement and new managers is \$300 per day per attendee.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Administration Paperwork & Controls	5.0	1.0	San Marcos, California, and the Franchised Business Site
Ordering, Receiving, and Inventory	2.0	2.0	San Marcos, California, and the Franchised Business Site
Signage and Décor		1.0	San Marcos, California, and the Franchised Business Site
Personnel (Hiring, Training & Retention)	3.0	2.0	San Marcos, California, and the Franchised Business Site
Items for Sale, Pricing, and Preparation	2.0	18.0	San Marcos, California, and the Franchised Business Site
Customer Policies and Operational Procedures	2.0	8.0	San Marcos, California, and the Franchised Business Site
Marketing/Customer Communication/Emailing/Text	1.0	4.0	San Marcos, California, and the Franchised Business Site
Cleaning and Truck/Equipment Maintenance		8.0	San Marcos, California, and the Franchised Business Site
Security and Safety	1.0	2.0	San Marcos, California, and the Franchised Business Site
Evaluation and Compliance	2.0	3.0	San Marcos, California, and the Franchised Business Site
Preparing for Opening		4.5	San Marcos, California, and the Franchised Business Site
Building Routes & Securing Events	2.0	6.5	San Marcos, California, and the

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
			Franchised Business Site
Total	20 Hours	60 Hours	

Instructors for Initial Franchise Training

Claire Oksayan, Owner and Manager since our inception in June of 2021 and October of 2016, respectively.

Parsegh Oksayan, Owner and Manager since our inception in June of 2021 and October of 2016, respectively.

We may change, add to, or make substitutions for the subjects and instructors listed in the tables and above as necessary or appropriate. All instructors and substitute instructors will have a minimum of one year of experience operating a Rush Coffee franchise and with the subject matter in which they provide training and instruction.

We may provide additional training programs at reasonable times and at locations selected by us during the Term of the Franchise Agreement. We may also require attendance at other additional training programs, also at your own expense.

We encourage you to schedule your training as soon as possible after executing the Franchise Agreement. We will not be liable for your costs or expenses if we terminate the Franchise Agreement because mandatory training was not completed to our reasonable satisfaction on a timely basis.

You are responsible for all expenses you and your employees incur to attend all training offered by Franchisor, including the initial training, and including wages, benefits, transportation, meals, accommodations, and entertainment. Other than providing initial training, we are not obligated to provide any other assistance with the hiring or training of your employees.

ITEM 12: TERRITORY

Under the Franchise Agreement, you are granted the right to operate the Franchised Business from the Franchised Business Site (i.e., the vehicle described elsewhere in this document) with the Territory designated in your Franchise Agreement.

Subject to the Franchise Agreement, your Territory will consist of a specific 30-mile geographic radius, or an area containing a population of 250,000 persons, whichever is less ("Territory"). You may advertise, solicit, offer, accept orders, and conduct your Franchised Business within the Territory. You may not, however, advertise, solicit, offer, accept orders, or conduct any business related to your Franchised Business outside of the Territory without our written consent, and provided that there is no other The Rush Coffee franchisee operating in the area in question. If you are granted consent to service another specified area, you shall be obligated to pay royalty fees and other fees to us for the services performed or products sold.

If you are in compliance with the Franchise Agreement, then subject to limitations stated below, we will not operate, or authorize anyone else to operate, another business using the Marks within the Territory during the Term of your Franchise Agreement.

We are not, however, obligated to ensure that no other franchisee will conduct operations in your Territory. Although such activities are discouraged, we reserve the right to determine how to respond to any such situation. That being said, nothing shall prevent you from taking whatever legal action you wish to take against such infringing franchisees. In no event shall we be liable to you for any damages, costs, fees, or lost revenue associated with such infringement by another franchisee soliciting or accepting orders in the Territory. It is our express intent that all franchisees who choose to pursue such litigation shall be entitled to their attorneys' fees and costs upon prevailing against another franchisee operating within the Territory.

We Reserve the Right to Limit your Territory

With respect to the Territory, we reserve the right to:

1. Own, acquire, establish, operate, and license others to establish and operate businesses like the Franchised Business, or substantially similar to the Franchised Business, whether under the Marks, or otherwise, outside the Territory.
2. Acquire a system of Competitive Businesses with existing units located within your Territory or outside the Territory.
3. Establish, or license another to establish, a Rush Coffee concept different from the mobile version currently in existence (the "Model Concept"). For example, Franchisor reserves the right to allow others to use the Marks to open and operate (within or outside the Territory) storefront, brick, and mortar, co-branded, pop-up, virtual, or mobile outlets that are substantially different from the mobile concept that you are operating.
4. Sell, or franchise others to sell, the services and products authorized for The Rush Coffee Franchised Businesses using The Rush Coffee Marks or other trademarks, service marks, and commercial symbols through alternate channels of distribution, venues, joint marketing with partner companies, direct mail, catalog sales, internet sites, and co-branding strategies.
5. Advertise, promote, market, or sell goods or services using The Rush Coffee Marks over the internet, or any other electronic network.
6. Offer and sell the services and products authorized for Franchised Business using The Rush Coffee Marks or other trademarks, service marks, and commercial symbols to Special Accounts.
7. Own, acquire, establish, and operate, and license others to establish and operate, businesses like the Franchised Business or substantially similar to the Franchised Business, whether under the Marks or other proprietary marks, in Special Venues.
8. Except as stated above, neither we, nor our affiliates, operate, or have plans to operate, or franchise others to operate, a business selling the same goods or products as under the Franchised Business, whether under a different name or otherwise, within the Territory.

Special Venues

We or other franchisees or licensees may own, acquire, establish, or operate businesses like The Rush Coffee Franchised Business, or substantially similar to the Franchised Business, whether under the Marks or other proprietary marks, in any temporary or permanent venues where there is a captive audience and where the primary purpose is other than patronizing a The Rush Coffee business ("Special Venue").

Such Special Venues, for example, may include malls, entertainment and sports centers/arenas, military bases, transportation facilities, supermarkets, service stations, and carnivals within or outside of the Territory (or any other area you may have rights to).

Special Accounts

The Franchisor has the exclusive right to contract with customers or third-party delivery carriers and/or vendors whose offices, stores, plants, buildings, or other physical facilities are not confined to the territory of a single The Rush Coffee franchisee, Franchisor-owned, or Affiliate-owned business ("Special Accounts"). If Franchisor establishes a contract for facilities of a Special Account located in the Territory, Franchisor shall offer Franchisee the first option of providing the services to the Special Account at those facilities in the Territory at the prices and subject to the contract requirements negotiated by Franchisor with the Special Account. If you accepted the project, we would collect all amounts due from the Special Account and remit to you the amount due for products and services rendered for the Special Account, less the amount of Royalties and other fees due under this document. All amounts collected from Special Accounts on your behalf or by you from Special Accounts will be included in your Gross Revenues for purposes of calculating Royalties and other fees due under this document.

If you decline to accept such a Special Account, we will have the unfettered right to fulfill the contract requirements to the Special Account in the Territory in any manner we deem suitable, including through other The Rush Coffee franchisees, a Franchisor or Affiliate-owned business, or a third-party contractor.

Acquisition of Competing System

If you are in compliance with the Franchise Agreement and we acquire a Competitive Businesses ("Acquired System(s)") during the Term of the Franchise Agreement, we will offer you the option to purchase and operate, as a The Rush Coffee Franchise, any unit of the Acquired Systems (an "Acquired Unit") that is both purchased by us for operation by us or our Affiliate (e.g., the unit will not be operated by a licensee of the Acquired Systems) and is located within the Territory. We shall provide you with written notice of our purchase of the Acquired Systems, the terms and conditions applicable to your option to purchase Acquired Unit, and such other information that we believe is necessary to be included in the notice. If you do not elect to purchase or fail to complete the purchase of an Acquired Unit within two months after we send our notice, we will have the right to operate the Acquired Unit directly, or through an Affiliate or third-party licensee, under any trade name or trademark other than The Rush Coffee Marks. In no event will you have the right to purchase, and we are not obligated to offer you any option to purchase, any Acquired Unit that is operated by a licensee under the Acquired System. We may license such units to be operated under any trade name or trademarks other than The Rush Coffee Marks and may also license additional units of the Acquired Systems to be developed and operated within your Territory.

Additional Franchises

If you are in good standing under the Franchise Agreement and otherwise meet our financial qualifications, you may request that we sell you another The Rush Coffee franchise. We reserve the right to determine whether to sell you another franchise. If you buy an additional franchise, it will be under the then-current form of Franchise Agreement and other applicable agreements that may be different from those described in this disclosure document.

Your Franchise Agreement does not give you any other options, rights of first refusal, or similar rights to acquire additional franchises within the Territory or contiguous territories. We may establish another franchise or

company-owned location in the Territory if you fail to comply with the Franchise Agreement or you fail to achieve \$10,000 minimum monthly Gross Revenues per month. Except as disclosed in Item 12, there are no other circumstances that permit us to modify your territorial rights.

Area Development Agreement

If you sign an Area Development Agreement, your rights to the Development Area will be protected as set forth in the Area Development Agreement. The Development Area Territory is typically similar to the calculation that went into establishing the Territory (i.e., a 30-mile geographic radius or a population of 250,000 persons, whichever is less), but may be smaller depending on the market area for each additional franchise you might purchase. The Development Area Territory is determined as mutually agreed upon by you and us and set forth in the Area Development Agreement at the time of the signing of the Area Development Agreement. While the Area Development Agreement is in effect, provided that you open and operate new The Rush Coffee franchise in accordance with the Development Schedule and the minimum number of franchises that you have open and operating in the Development Area at any given time is not less than the minimum required under the Development Schedule, we will not operate, or license any person other than you to operate, a The Rush Coffee franchise under the Marks and the System within a new territory you may purchase rights to.

The processes, costs, and timelines for selecting a vehicle for a franchise covered by the Area Development Agreement are the same as for those related to selecting a vehicle for the Franchised Business.

The typical length of time between the signing of the Franchise Agreement, or the first payment of consideration for the Area Development Agreement, and opening the new franchised business varies, but you should be able to commence operation within an additional five months for each additional franchise after signing as required by the Area Development Agreement. Factors affecting this time period include how long it takes to complete any modification of your The Rush Coffee vehicle, completion of financing arrangements, compliance with local ordinances, etc. If you fail to adhere to the Development Schedule, we may terminate the Area Development Agreement, and all of your territorial rights to any subsequent (i.e., additional) franchise will be eliminated.

If a default occurs under any Franchise Agreement, resulting in the termination of such Franchise Agreement, we may terminate your Area Development Agreement. However, a default under the Area Development Agreement is not cause for termination of any other existing Franchise Agreement.

ITEM 13: TRADEMARKS

Our trademark, THE RUSH COFFEE EST 2016 (the “Mark(s)”), is registered with the United States Patent and Trademark Office (the “Trademark Office”) on the registry as stated below:

Mark	Registration Number or Serial Number if Registration is Pending	Class	Registration Date	Registry
THE RUSH COFFEE EST 2016	5604681	IC 043	November 13, 2018	Principal

We have filed all required affidavits and renewals with respect to these registrations.

The trademark is owned by our affiliate, The Rush Coffee, LLC. We have a perpetual license agreement to use and franchise the Marks, which may only be terminated upon our dissolution. In such an event, you may lose your right to use the Marks.

There are no currently effective material determinations of the Trademark Office, the Trademark Trial and Appeal Board, or any other trademark administrator or any court, pending interference, opposition, or cancellation proceeding, or any pending material litigation involving the Marks.

We do not know of any prior rights that could materially affect your use of the Marks. Nor are there any agreements currently in effect that limit our right to use or license the use of our Marks. Likewise, we are not aware of any infringing uses of the Marks that could materially affect your right to use them.

Your use of the Marks is limited to use in connection with the operation of your Franchised Business within the Territory as described in the Franchise Agreement and as set forth in Operating Manual. You must promptly notify us of any use of Marks or any colorable variation by any person or legal entity or any litigation instituted by any person or legal entity against you or us involving the Marks. While we will control any such litigation or proceedings, we are not otherwise required to defend the Marks. If we undertake the defense, prosecution, or settlement of any litigation relating to the Marks, you agree to assist (non-monetarily) as necessary to carry out such defense, prosecution, or settlement.

We retain the right to modify or discontinue the Mark(s). You shall, upon demand by us, modify or discontinue the use of Mark(s), at your sole cost and expense, as directed by us. We are not required to reimburse or compensate you for any modification or discontinuation of the Marks. If we decide to add a new trademark, or modify or discontinue the use of any existing Marks, you must use the new trademark or change or discontinue the use of the Mark/trademark, all at your expense. You must not contest our right to our Marks, trade secrets, or business techniques, or our right to use them.

If any party demonstrates to us a superior right to use any of Marks, you shall, upon demand by us, discontinue use of such Mark(s) and adopt, at your sole cost and expense, any Mark(s), if any, selected by us to replace such discontinued Mark(s).

You shall not use any of The Rush Coffee Marks, or any derivative or a colorable variation of the Marks: (i) as part of your corporate or other legal names; (ii) on or as part of any website, domain name, URL, web page, electronic mail address, listing, banner, advertisement or any other service or link on, to, or with the internet; (iii) with any prefix, suffix (including, but not limited to, the word "Inc."), or other modifying words, terms, designs, or symbols; or (iv) in any modified form. You shall not register any of the Marks, or any derivative or a colorable variation of the Marks, as a service mark, trademark, or internet domain name, or hold out or otherwise employ the Marks to perform any activity or to incur any obligation or indebtedness in such a manner as could reasonably result in liability for us, or that may harm, tarnish, or impair our reputation, name, services, or Marks. The provisions of this paragraph shall survive the expiration, termination, or cancellation of this Agreement.

ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any patents material to the Franchise. We do not own any copyright registration material to the Franchise. We do have unregistered copyrights in The Rush Coffee Operating Manual, and all printed, audiovisual, and other materials developed and distributed for use by our franchisees or us (collectively called the "Proprietary Information" or "Confidential Information"). Information not protected by copyright but which is confidential to us, such as information about our methods, policies, and marketing programs, are also part of the Proprietary Information.

There are no administrative or judicial determinations relating to the copyrights, nor any agreements that limit the use of them. We are not obligated to protect our copyrights.

You will not acquire any interest in the Proprietary Information. All Proprietary Information must be returned to us immediately upon the termination of the Franchise Agreement, regardless of the cause of such termination. We are disclosing the Proprietary Information to you solely on the condition that you: (1) will not use it in any other business or capacity; (2) will maintain the absolute confidentiality of the information during and after the Term of your Franchise Agreement; (3) will not make unauthorized copies of any portion of the Operating Manual or any other written communication from us; (4) will not disclose or duplicate any part of the Proprietary Information other than disclosure to an employee of the Franchised Business to the extent necessary to do his or her job; and (5) will adopt and implement all reasonable procedures we may require to prevent unauthorized use or disclosure of the Proprietary Information, including restrictions on disclosure of the information to employees of the Franchised Business and the use of non-disclosure and, where legally permissible, non-competition clauses, in your employment agreements. All shareholders, officers, directors, partners, and members of the Franchise are presumed to have access to the Proprietary Information and must sign a Nondisclosure and, where legally permissible, Noncompetition Agreement, to maintain the confidentiality of the Proprietary Information and conform to any legally permissible noncompetition covenants.

You must inform us in writing if you learn about anyone else's improper use of the Proprietary Information, or if anyone breaches the Nondisclosure and Noncompetition Agreement.

If we require you to modify or discontinue using the subject matter covered by the patent or copyright, we are not required to reimburse or compensate you for the modification or discontinuation.

We will defend you against claims of infringement if you are using the Proprietary Information as required by the Franchise Agreement. You must cooperate with us fully in connection with such defense. We will control any administrative proceedings or litigation involving the copyrighted materials. You do not have the right to settle a claim without our consent.

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

You must maintain a designated full-time manager (i.e., the Designated Manager) of the Franchised Business who is approved by us, successfully completes the initial training program to our satisfaction, and who will devote his/her full time and energy to the operation of the Franchised Business. If you are the one who intends to act as the Designated Manager, then you do not need to hire a separate individual to fulfill that role. If, however, the Designated Manager is going to be someone other than you, then that individual must, in addition to the requirements referenced above, also sign a confidentiality, non-solicitation, and, where legally permissible, a non-competition agreement in a form that is satisfactory to us.

No individual franchisee or any shareholder, partner, member, or other owner of a business entity franchisee may compete with us or own an interest in any competitor of ours anywhere during the Term of your Franchise Agreement or within 25 miles of any The Rush Coffee franchise territory. Where legally permissible, that non-compete obligation shall extend for an additional two years after the expiration or termination of your Franchise Agreement.

While you are not required or obligated to participate personally in the direct operations of the Franchised Business, we strongly recommend that you do so. You and each shareholder, partner, member, and other equity

owners of the franchise, along with each individual shareholder, partner, member, and other equity owners of any shareholder, partner, member, and other equity owners that is itself a business entity, all must personally guarantee all of the your obligations and performance under the Franchise Agreement.

To prevent any interruption of the Franchised Business that may cause harm to the Franchised Business and to The Rush Coffee System, we may step in to operate the Franchised Business when we deem it necessary. Reasons may include our determination that you: (1) are incapable of operating the franchise; (2) you and, where applicable, your Designated Manager, are absent or incapacitated because of illness or death for more than one week; (3) have failed to pay when due any taxes or assessments against the Franchised Business or property used in connection with it; (4) have failed to pay when due any liens or encumbrances of every kind placed upon or against your business property; or (5) we decide that operational problems reasonably require us to operate the Franchised Business for a time.

All Gross Revenue derived from our operation of the Franchised Business will be for your account. We will pay from that Gross Revenue all expenses, debts, and liabilities we incur during our operation of the Franchised Business, including payments to ourselves for the time spent running your Franchised Business. We will keep account all Gross Revenue generated by the operation of the Franchised Business, less the expenses of the business, including reasonable compensation and expenses for us and our representatives.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all products and services, and only those products and services, authorized by us and specified in The Rush Coffee Operating Manual, or as designated in writing by us (the “Permitted Products and Services”). Without limit, we have the right to change, add, and delete products or services to or from the Permitted Products and Services at any time. We may also designate any products or services as optional.

You may advertise, solicit, offer, accept orders, and sell the Permitted Products and Services within the Territory unless we give you written consent to serve another specified area where no other The Rush Coffee franchise or company-owned unit is located. If you are granted consent to service another specified area, you shall be obligated to pay royalty fees and other fees to us for the services performed or products sold. Unless otherwise stated in this disclosure document (e.g., social media), you do not have the right to use other channels of distribution such as the internet, catalog sales, telemarketing, or other direct marketing systems unless we give you written consent.

You must participate in and fully comply with any customer warranty, guaranty, or customer satisfaction programs we may establish from time to time.

ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	Section II(A)	Five years from the date that we sign the Franchise Agreement
b. Renewal or extension of the Term	Section II(B)	Upon the expiration of the Initial Term of the Franchise Agreement, you may, at its option, renew the Franchise Agreement for an additional Term of five years (the "Successor Term"), provided that at the end of each Term you meet conditions listed, including payment of a successor fee
c. Requirements for you to renew or extend	Section II(B)	Renew means upon the expiration of your Franchise Agreement; you may sign an agreement with materially different terms and conditions from the original Franchise Agreement for an additional Term of five year term; among other conditions, your right to renew is conditioned on our offering The Rush Coffee franchises; you must give us between 6-12 months of advance written notice prior to the end of the Term if you wish to renew; you must not be in default under any provision of the Franchise Agreement or any other agreement between you and our affiliates; in addition, if we deem it necessary, you must refurbish your vehicle (or any other aspects of your Franchised Business) to conform to the then-current The Rush Coffee trade dress, color schemes, and presentation of the Marks and The Rush Coffee Systems Standards; you must sign the then-current The Rush Coffee franchise agreement (the terms of which, again, may differ from the terms of the Franchise Agreement); you must pay us a Successor Term fee of 50% of the then-current initial franchise fee; and you must comply with then-current The Rush Coffee qualifications and training requirements
d. Termination by you	Section XVII(H)	Subject to state law and other provisions of the Franchise Agreement, we will be considered in default of the Franchise Agreement if we breach any material obligations of the Franchise Agreement and fail to cure the default within 30 calendar days' written notice from you
e. Termination by us without cause	Not applicable	
f. Termination by us with cause (no	Section XVII(A)	We can terminate only for cause (e.g., upon a default by you) for breaches listed in this section, but are not required to provide notice or a right to cure

Provision	Section in Franchise Agreement	Summary
notice and no right to cure)		
g. Termination by us with cause (with notice, but no right to cure)	Section XVII(C)	We can terminate only for cause (e.g., upon a default by you) for breaches listed in this section, and we must give you notice, but we don't have to give you a right to cure
h. Termination by us with cause (with notice and a right to cure)	Section XVII(B)	We can terminate only for cause (e.g., upon a default by you) for breaches listed in this section, but must give you notice and a right to cure
i. "Cause" defined -- defaults that can be cured	Section XVII(C)	We may elect to terminate your Franchise Agreement if: (1) you fail to pay, when due, any sum required to be paid under the Franchise Agreement or any other agreement between us after written notice and 10 calendar days' opportunity to cure; (2) you breach the Franchise Agreement or any other agreement between us and fail to cure any such breach within the requisite time allotted; (3) you fail to pay any amounts due to any of our approved or designated vendors after written notice and 10 calendar days' opportunity to cure; (4) you fail to comply with any federal, state, or local law, regulation, or ordinance after written notice and 10 calendar days' opportunity to cure; (5) you sell products or services other than the Permitted Products and Services without obtain our prior written consent, or alternatively, you refuse to sell any of the items listed in the Permitted Products and Services; and/or (6) you refuse or fail to participate in a promotional campaign, discount/gift card program, within five calendar days of notice from us
j. "Cause" defined defaults that cannot be cured	Section XVII(A) and (B)	We may elect to terminate your Franchise Agreement, without any opportunity to cure if: (1) you fail to purchase an appropriate vehicle/trailer, or open the Franchised Business, within the time limits prescribed by the Franchise Agreement; (2) you fail to satisfy all of the training obligations; (3) you fail to submit reports or other information when due on two or more occasions in any 12-month period; (4) you fail to operate your Franchised Business for more than seven consecutive calendar days, or you otherwise abandon the Franchised Business; (5) except as expressly stated in the Franchise Agreement, the Operating Manual, or any other written

Provision	Section in Franchise Agreement	Summary
		agreement between us and you, you conduct any portion of your Franchised Business outside of the Territory, or otherwise infringe upon rights granted by us under franchise agreements with other franchisees; (6) you fail to achieve or exceed the Performance Standards for two consecutive calendar years; (7) you are declared bankrupt or insolvent, or you are the debtor in a voluntary or involuntary bankruptcy proceeding brought under the U.S. Bankruptcy Code; (8) a receiver is appointed for you or for any part of your property, or you make any assignment for the benefit your creditors, if not dismissed within 15 calendar days; (9) you lose the right to legally transact business in the jurisdiction where the Franchised Business is located; (10) you violate the non-competition or non-circumvention provisions during the Term of the Agreement; (11) you make any transfer or attempted transfer that fails to comply with the Franchise Agreement, the Operating Manual, or any other written agreement between us and you; (12) the Franchised Business is seized, taken over, or foreclosed by a government entity or creditor; (13) a final judgment entered against you by a court of competent jurisdiction remains unsatisfied for 30 calendar days (unless an appeal bond has been filed), or a levy of execution has been made upon the Franchised Business or upon any property used in the Franchised Business that is not discharged within 5 calendar days of such levy; (14) any conduct or activity by you or any of your principals, directors, or officers that Franchisor believes is reasonably likely to have an adverse effect or reflect unfavorably on the Franchised Business, us, The Rush Coffee System, the Marks, or the goodwill associated with us; (15) you knowingly maintain false books or records, or knowingly submit any false reports to us, or knowingly understate your Gross Revenues; (16) any threat or danger to public health or safety resulting from the construction, maintenance, or operation of the Franchised Business that cannot reasonably be cured in a timely fashion; (17) you make or attempt to make any transfer or assignment of the Franchised Business (including its assets, rights under any agreements with us, or any of the principals' ownership interest in or to the Franchised Business); (18) you or any of your principals infringe on our ownership rights or control of the Marks, Confidential Information, or other trade secrets; (19) you or a principal is convicted of a felony, a crime of moral turpitude, or any other crime that we

Provision	Section in Franchise Agreement	Summary
		reasonably believe will damage our goodwill or reputation; (20) you repeatedly violate one or more requirements under the Franchise Agreement; (21) you fail to obtain and deliver to us signed Restrictive Covenant Agreements from the appropriate individuals; and/or (22) you refuse to allow us (or cooperate with us) to inspect or audit the Franchised Business
k. Your obligations on termination or nonrenewal	Article XVIII	Upon the termination of the Franchise Agreement, you must: (1) cease to operate your Franchised Business and not hold yourself out as a present or former The Rush Coffee franchisee; (2) cease to use System, the Marks, or the Confidential Information; (3) at our option, assign to us (a) telephone numbers of the Franchised Business, or (b) all URLs, websites, webpages, or links related to the Franchised Business; (4) at our option, sell us the assets of the Franchised Business at fair market value; (5) return to us all copies of Operating Manual and other Proprietary Information, software provided and/or owned/licensed by us; (6) cancel any assumed name or equivalent registration that contains the Marks; (7) pay all sums due and owing to us; (8) obtain and continue to maintain professional liability or errors and omissions insurance and general liability insurance for a period of time not less than the applicable statute of limitations in the jurisdiction in which the Franchised Business is located; and (9) appoint us as the true and lawful attorney-in-fact and agent for the Franchised Business to carry out all of your obligations under the other termination requirements
l. Assignment of contract by us	Section XVI(A)	We have the right to transfer or assign all or any part of our rights and/or obligations to any person or legal entity without your consent
m. "Transfer" by you definition	Section XVI(B)	A transfer includes any direct or indirect sale, assignment, conveyance, transfer, pledge, or encumbrance of all or a substantial portion of the assets of the Franchised Business, the Franchisee, or any entity that has an ownership interest in the Franchisee
n. Our approval of transfer by franchisee	Section XVI(B)	We have the right to approve all transfers, but may not unreasonably withhold consent
o. Conditions for The Rush Coffee Franchise Group	Section XVI(B)	We have no obligation to consider any transfer of your rights in and to the Franchised Business unless all of the following conditions are met: (1) all outstanding obligations related to the Franchised Business have been

Provision	Section in Franchise Agreement	Summary
LLC approval of transfer		paid; (2) your right to receive compensation from the sale or transfer must be subordinated and secondary to our rights; (3) the transferee must meet our standards and otherwise be reasonably acceptable to us; (4) the transferee must sign a then-current The Rush Coffee franchise agreement and such other ancillary agreements as may be required at the time, and otherwise agree to take on all of your obligations; (5) the transferee must successfully complete The Rush Coffee initial training, and you or the transferee must pay the requisite transfer fee; (6) you must sign a general release in a form satisfactory to us; and/or (7) either you or the transferee must upgrade the vehicle/trailer to conform to the System Standards then in place
p. Our right of first refusal to acquire your business	Section XVI(E)	We have the right, exercisable by written notice to you, to purchase such rights or interests for the price and on the terms and conditions contained in any offer for your Franchised Business, except we may substitute equivalent cash for any form of payment proposed in such offer. Any purchase by us must be completed within 90 calendar days after your receipt of our written notice. If we do not exercise our right of first refusal, you may complete the sale of interest to the bona fide purchaser, subject to our reasonable approval and the transferee's meeting the requisite conditions; however, if the sale to the purchaser is not completed within 90 calendar days after the delivery of the offer to us, we will again have the right of first refusal
q. Our option to purchase your business	Section XVIII(6)	Upon termination or expiration of your Franchise Agreement, at our option (to be exercised within 30 calendar days after termination), you must sell to us any or all of the furnishings, equipment, signs, fixtures, supplies, vehicles, trailers, or inventory related to the operation of your Franchised Business, at the depreciated book value
r. Your death or disability	Section XVI(D)	Must transfer either to a qualified heir or a third party; if to the latter, the transfer must occur within 120 calendar days; if to the former, then no transfer fee required; we can step in and run the business until proper training and other conditions are satisfied
s. Noncompetition covenants during the Term of the franchise	Section XIX(B)	No involvement in a competing business; cannot assist or deal with a competing business; cannot infringe on another franchisee's territorial rights

Provision	Section in Franchise Agreement	Summary
t. Noncompetition covenants after the franchise is terminated or expires	Section XIX(C)	Where legally permissible, no involvement in a competing business for two years in or within 25 air miles of any The Rush Coffee franchisee's territory or the territory in which we operate; no solicitation of customers of your franchise for two years, subject to state law
u. Modification of the agreement	Section XXIII(D)	The Agreement may not be modified or amended except by a written instrument signed by each of the parties
v. Integration/merger clauses	Section XXII(D)	Only the terms of the Franchise Agreement and this disclosure are binding; to the extent that the Franchise Agreement and this disclosure are in direct conflict, the Franchise Agreement shall control; the Franchise Agreement supersedes all prior agreements between the parties
w. Dispute resolution by arbitration or mediation	Not Applicable	
x. Choice of forum	Section XXIII(F)	All actions arising out of the Franchise Agreement must be heard and determined in a court located in San Diego County, California
y. Choice of law	Section XXIII(E)	California law shall apply

AREA DEVELOPMENT AGREEMENT

Provision	Section in Area Development Agreement	Summary
z. Term of the franchise	Section VI	The Term ends in accordance with the Development Schedule
aa. Renewal or extension of the Term	Not applicable	
bb. Requirements for you to renew or extend	Not applicable	
cc. Termination by you	Not applicable	
dd. Termination by us without cause	Not applicable	
ee. Termination by us with cause	Section VII	We can terminate only if you default; we can terminate the Area Development Agreement if the Franchise Agreement is terminated, but not vice-versa (i.e., termination of the Area Development Agreement is not cause for terminating the Franchise Agreement)
ff. "Cause" defined defaults which can be cured	Not applicable	
gg. "Cause" defined defaults which cannot be cured	Section VII(A)	We may terminate the Area Development Agreement if: (1) you fail to pay any initial franchise fee or execute any agreement by any deadline specified in the Development Schedule; (2) you fail to have opened and maintained in continuous operation the minimum number of The Rush Coffee franchises specified in the Development Schedule by any applicable deadline specified in the Development Schedule; (3) if a default occurs under any agreement that results in the termination of your right to operate one of our The Rush Coffee franchises; or (4) you breach or otherwise fail to comply fully with any other provision contained in the Area Development Agreement or any other agreement between you and us or our affiliates

Provision	Section in Area Development Agreement	Summary
hh. Your obligations on termination or nonrenewal	Not applicable	
ii. Assignment of contract by us	Section VIII(A)	We have the right to transfer or assign all or any part of our rights and/or obligations to any person or legal entity
jj. "Transfer" by you – definition	Section VIII(B)	A transfer includes any voluntary or involuntary sale, assignment, transfer, conveyance, pledge, mortgage, or encumbrance of or on any of the assets used to operate the Franchised Business
kk. Our approval of transfer by franchisee	Section VIII(B)	We have the right to approve all transfers but may not unreasonably withhold consent
ll. Conditions for The Rush Coffee Franchise Group LLC approval of transfer	Section VIII(B)	We have no obligation to consider any transfer of your rights in and to the Franchised Business unless all of the following conditions are met: (1) all outstanding obligations related to the Franchised Business have been paid; (2) your right to receive compensation from the sale or transfer must be subordinated and secondary to our rights; (3) the transferee must meet our standards and otherwise be reasonably acceptable to us; (4) the transferee must sign a then-current The Rush Coffee franchise agreement and such other ancillary agreements as may be required at the time; (5) the transferee must successfully complete The Rush Coffee initial training, and you or the transferee must pay the requisite transfer fee; (6) you must sign a general release in a form satisfactory to us; and/or (7) either you or the transferee must pay the requisite transfer fee
mm. Our right of first refusal to acquire your business	Section VIII(C)	If we elect to purchase an interest under a bona fide offer for purchase, the closing will occur within 90 calendar days after the date of our notice to the seller electing to purchase the interest; if we do not elect to purchase such interest within the 30-day period, you may sell or transfer their offered interests to a third party, provided that such sale or transfer: (1) is made within 90 calendar days after we give notice of its election; (2) is made at a price and on the same material terms as those offered to us; and (iii) is made in full compliance with all applicable requirements of the Area Development Agreement

Provision	Section in Area Development Agreement	Summary
nn. Our option to purchase your business	Not applicable	
oo. Your death or disability	Not applicable	
pp. Noncompetition covenants during the Term of the franchise	Section IX(A)	No involvement in a competing business; cannot assist or deal with a competing business; cannot infringe on another franchisee's territorial rights
qq. Noncompetition covenants after the franchise is terminated or expires	Section IX(B)	Subject to applicable law, no involvement in a competing business for 2 years in or within 25 air miles of any The Rush Coffee franchises or company owned businesses; no solicitation of customers of your franchise for 2 years
rr. Modification of the agreement	Section XI(B)	The Agreement may not be modified or amended except by a written instrument signed by each of the parties
ss. Integration/merger clauses	Section XI(B)	Only the terms of the Franchise Agreement, the Area Development Agreement, and this disclosure are binding; to the extent that the Franchise Agreement directly conflicts with the Area Development Agreement or this disclosure, then in the context of an initial franchise, the Franchise Agreement shall control, and in the context of a subsequent franchise, the Area Development Agreement shall control
tt. Dispute resolution by arbitration or mediation	Not Applicable	
uu. Choice of forum	Section XI(E)	All actions arising out of the Franchise Agreement must be heard and determined in a court located in San Diego County, California
vv. Choice of law	Section Xi(D)	California law shall apply

ITEM 18: PUBLIC FIGURES

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

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

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

July 2019 – June 2020	
Gross Sales – Truck 1	\$120,000
Gross Sales – Truck 2	\$90,000
Gross Sales – Truck 3	\$70,000
Total Gross Sales	\$280,000
Cost of Goods Sold for all Trucks	
Coffee and Dry Goods	\$21,132
Paper Goods	\$12,136
Pastries and Food Items	\$17,017
Perishable Goods (Milk, bananas, chocolate, etc.)	\$34,952
Total Cost of Goods Sold	\$85,237
Gross Sales of all Trucks minus the Cost of Goods Sold for all Trucks	\$194,763

July 2020 – June 2021**	
Gross Sales – Truck 1	\$154,000
Gross Sales – Truck 2	\$33,500
Gross Sales – Truck 3 (retired December 2020)	\$10,500
Total Gross Sales	\$198,000
Cost of Goods Sold for all Trucks	
Coffee and Dry Goods	\$14,500
Paper Goods	\$7,582
Pastries and Food Items	\$3,361
Perishable Goods (Milk, bananas, chocolate, etc.)	\$23,783
Total Cost of Goods Sold	\$49,226
Gross Sales of all Trucks minus the Cost of Goods Sold for all Trucks	\$148,774

The two tables above reflect the gross sales and gross sales minus the cost of goods sold for the periods of June of 2019 through June 2020 and June of 2020 to June of 2021 of one company-owned outlet operating three trucks, along with the cost of goods for all outlet trucks.

**Due to mandatory closures due to COVID-19, we closed our business at the beginning of March 2020 and remained closed until early June 2020. We were considered an “essential business” by the County of San Diego since we provided to-go food and beverage and had the opportunity to remain open throughout COVID. Our initial closure for 3 months was due to a lack of business at our existing customer sites and a personal choice to quarantine at the beginning of the pandemic.

Starting in June of 2020, we resumed business with 1 truck working 75% time. We added a 2nd truck in September 2020, which worked about 15% of its available time. Our third truck resumed operation in December of 2020, but was then retired at the end of the year. We put it back into operation in January of 2021.

Our business opportunities have changed post-COVID in that we have less opportunity for daily routes at schools and business parks, but more opportunity with corporate catering events as businesses seek ways to show their appreciation to their staff members without planning large corporate events, as they did pre-COVID. There are fewer community “mega-events” happening now, but we have made up for that revenue through additional private catering opportunities.

The table below reflects the gross sales and gross sales minus the cost of goods sold for the period spanning July 2021 through June 2022 for one company-owned outlet operating three trucks. Sales by our new franchisee are not reported because the new franchisee just began operations.

July 2021 – June 2022	
Gross Sales for all Trucks	
Gross Sales – Truck 1	\$250,000
Gross Sales – Truck 2	\$134,000
Gross Sales – Truck 3 (retired December 2020)	\$0
Gross Sales – TX Franchisee (began operations in 12/21)	\$34,297
Total Gross Sales	\$418,297
Cost of Goods Sold for all Trucks	
Coffee and Dry Goods	\$21,030
Paper Goods	\$15,260
Pastries and Food Items	\$21,470
Perishable Goods (Milk, bananas, chocolate, etc.)	\$44,690
Total Cost of Goods Sold	\$102,450
Gross Sales of all Trucks minus the Cost of Goods Sold for all Trucks	\$315,847

Some outlets have sold this amount. Your individual results may differ. There is no assurance you'll sell as much.

This financial performance representation is based on the performance of a company-owned outlet. There are no material differences between the company-owned outlet in this financial performance representation and franchises offered in this disclosure document.

Our first franchisee began operations very recently, so there are no reportable numbers to provide at this time.

Our management prepared this financial performance representation based on the outlet's historical bookkeeping books and records. Written substantiation for the financial performance representation will be made available to you upon a reasonable request.

Other than the preceding financial performance representation, The Rush Coffee Franchise Group LLC does 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 our management by contacting Claire Oksayan at 757 N. Twin Oaks Valley Rd., Suite 2, San Marcos, CA 92069 or by telephone at (760) 402-8225, 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 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2019	0	0	0
	2020	0	0	0
	2021	0	1	+1
	2022	1	3	+2
Company-Owned	2019	1	1	0
	2020	1	1	0
	2021	1	1	0
	2022	1	1	0
TOTAL OUTLETS	2019	X	X	0
	2020	1	1	0
	2021	1	2	+1
	2022	2	3	+2

Table No. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(Other than Franchisor)
For Years 2019 to 2022

State	Year	Number of Transfers
All States	2019	0
	2020	0
	2021	0

State	Year	Number of Transfers
	2022	0
TOTAL	2019	0
	2020	0
	2021	0
	2022	0

Table No. 3
STATUS OF FRANCHISED OUTLETS
For Years 2019 to 2022¹

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
California	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
Texas	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
TOTAL	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	2	0	0	0	0	3

¹ If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

Where a franchise territory covers more than one state, the franchise, for purposes of this table, is assigned to the state where it has the bulk of its operation, which is not necessarily the same state shown in the business address in the list of franchisees, EXHIBIT I.

Table No. 4
STATUS OF COMPANY-OWNED OUTLETS
For Years 2019 to 2022¹

State	Year	Outlets at Start of Year	Outlets Opened	Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
California	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
TOTAL	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1

¹ “Company-Owned Outlets” does not refer to the number of trucks that we have in operation (three). It refers to the number of “territories” that we do business in, and all three of our trucks are doing business within a single territory, which is why we list it as only one outlet.

Table No. 5
PROJECTED OPENINGS
As of December 31, 2022

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
California	2	2	0
Texas	0	0	0
TOTAL	2	2	0

The number of new franchised locations projected to be opened in the next fiscal year, as presented in the table above, is an estimate based on the best information we have as of the date of this disclosure document. There is no assurance that the actual number of openings, or the states in which we projected the openings, will be the same as our estimates.

A list of the names, addresses, and telephone numbers of all The Rush Coffee franchisees is attached to this disclosure document as EXHIBIT J. A list of the names, last known home addresses, and telephone numbers of every The Rush Coffee franchise who has had their franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the date of this disclosure document, is attached to this disclosure document as EXHIBIT J. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

ITEM 21: FINANCIAL STATEMENTS

Our audited opening balance sheet as of December 31, 2022 and audited financials as of December 31, 2021, are attached to this disclosure document as EXHIBIT K.

Since the franchisor has only been in business since June of 2021, they are unable to provide three year's worth of financial statements that are required.

Our fiscal year ends on December 31.

ITEM 22: CONTRACTS

The following exhibits to this disclosure document are the contracts used by us in offering franchises:

EXHIBIT A	FRANCHISE AGREEMENT
EXHIBIT B	AREA DEVELOPMENT AGREEMENT
EXHIBIT C	PERSONAL GUARANTY
EXHIBIT D	RESTRICTIVE COVENANT AGREEMENT
EXHIBIT E	POWER OF ATTORNEY TO ASSIGN TELEPHONE NUMBER

ITEM 23: RECEIPT

The Receipt page is attached to the last page of this disclosure document. You must sign the receipt to acknowledge your receipt of this disclosure document.



EXHIBIT A
TO THE RUSH COFFEE FRANCHISE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

Franchise Agreement

between

**THE RUSH COFFEE FRANCHISE GROUP LLC
("Franchisor")**

and

("Franchisee")

Territory Name / Location

Dated

THE RUSH COFFEE FRANCHISE AGREEMENT

This Franchise Agreement (“Agreement”) is made and entered into on the dates set forth on the coversheet on the prior page by and between The Rush Coffee Franchise Group LLC, a California limited liability company (“Franchisor” or “The Rush Coffee”) and _____ (“Franchisee”). Franchisor and Franchisee may be collectively referred to in this Agreement as the “Parties,” or individually as a “Party.”

RECITALS

- A. Franchisor has dedicated time, skill, effort, and money to create and develop a system for the establishment and operation of a distinctive type of business that offers premiere coffee, espresso drinks, specialty smoothies, Italian sodas, teas, shaved ice, other beverages, baked goods, and desserts (the “System”).
- B. The System’s distinguishing and proprietary characteristics include, without limitation, certain technical knowledge and marketing concepts, including Franchisor’s internal processes, trade secrets, purchasing arrangements, commercial ideas, advertising/promotional materials, marketing strategies, information on sources of supply, administrative procedures, business forms, distinctive signs, specially designed equipment, logos, vehicle design, employee training, techniques, and the confidential operating manual (the “Operating Manual”).
- C. Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including but not limited to, the mark “THE RUSH COFFEE,” and such other trade names, service marks, and trademarks as are now designated or may later be designated or substituted by Franchisor, for use in connection with the System (the “Mark(s)”). Franchisee is receiving a license pursuant to this Agreement to utilize Franchisor’s Marks.
- D. Franchisor continues to develop, use, and control the use of the Marks as a means of identifying for the public the source of services and products marketed under the Marks and the System and to represent the System’s high standards of quality, appearance, and service.
- E. Franchisee desires to enter into the business of operating a vehicle-based mobile coffee business under the System (the “Franchised Business”) and wishes to obtain a franchise from Franchisor for that purpose, as well as to receive the training and other assistance provided by Franchisor in connection with the Franchised Business. Franchisor in turn wishes to permit Franchisee to purchase and operate the Franchised Business utilizing the System in the below-defined Territory.
- F. Franchisor has reviewed Franchisee’s application and has decided to award a franchise to Franchisee to operate the Franchised Business in accordance with the terms of this Agreement.

In acknowledging the truth of the foregoing, and in consideration of the mutual covenants set forth below, the Parties agree as follows:

I APPOINTMENT

A. Grant of Franchise

Subject to the terms of this Agreement, Franchisor grants to Franchisee the right, and Franchisee undertakes the obligation, to operate the Franchised Business under the Marks in accordance with the System and using the standards set in the Operating Manual, this Agreement, and other directives provided by Franchisor (the “System Standards”) within the geographic area described in Exhibit “2” of this Agreement (the “Territory”).

Franchisee shall not offer or perform services or sell products under the System or Marks outside of Franchisee’s designated Territory without Franchisor’s prior written consent, which Franchisor may withhold or withdraw for any reason. If Franchisor permits such activity outside of Franchisee’s Territory, Franchisee is required to comply with all of the conditions and other requirements that Franchisor may from time to time specify in writing with respect to such activities, as well as to pay royalty fees and other fees for services as if such business was conducted in the Territory.

While Franchisor intends upon protecting Franchisee’s exclusive right to conduct business within the Territory, Franchisee agrees that under no circumstances will Franchisor be liable to Franchisee for violations by other franchisees who conduct business within Franchisee’s Territory.

Franchisee acknowledges that time is of the essence with respect to securing and outfitting an acceptable vehicle from which Franchisee will operate the Franchised Business (i.e., the below-defined Site). Franchisor requires Franchisee to commence business operations within five months of signing this Agreement. Franchisee therefore agrees that Franchisee’s failure to secure and outfit an approved vehicle within *four* months of signing this Agreement shall constitute a material default of this Agreement.

B. Franchisor Restrictions

Provided that Franchisee is in compliance with the terms of this Agreement, and except as otherwise set forth elsewhere in this Agreement, Franchisor shall not establish or franchise another to establish the same The Rush Coffee vehicle-based mobile concept (the “Model Concept”) under Marks within the Territory during the Term of this Agreement. If for any reason the boundaries of the Territory are moved, altered, or eliminated, Franchisor shall re-define the boundaries of the Territory to correspond as nearly as possible, in Franchisor’s discretion, to Franchisee’s original Territory, and Franchisor’s decision shall be final and binding upon both Franchisor and Franchisee.

As was set forth above, Franchisor is not obligated to ensure that no other franchise will conduct operations in Franchisee’s Territory. Although such activities are discouraged, Franchisor reserves the right to determine how to respond to any such situation. Likewise, if Franchisor decides to take no action to penalize another franchisee’s activities within Franchisee’s Territory, Franchisee is free to take whatever legal action is available to Franchisee to address such infringement.

C. Reserved Rights

Franchisor specifically reserves all rights not expressly granted to Franchisee in this Agreement. Without limiting the generality of the preceding sentence, Franchisor has the right to:

1. Own, acquire, establish, and operate (or license others to do so) businesses like the Franchised Business or substantially similar to the Franchised Business, whether or not under the System or Marks, outside the Territory.
2. Acquire a Competitive Businesses with units located within the Territory or outside the Territory.
[“Competitive Business” means any business that directly or indirectly operates, manages, offers, sells, or provides (or grants franchises or licenses to others to do so): (a) coffee, espresso drinks, smoothies,

sodas, teas, and other beverages; (b) shaved ice; (c) baked goods and desserts; or (d) products similar to those customarily offered by the Franchised Business, or in which trade secrets or other Confidential Information could be used to the disadvantage of Franchisor or its other franchisees].

3. Establish or license another to establish new business concepts utilizing the System and Marks that differs from the Model Concept (e.g., storefront, brick and mortar, co-branded, pop-up, virtual, direct mail, catalog, co-branded, etc.) within or outside the Territory.

4. Franchisor, its affiliates, or a franchisee or licensee may advertise, promote, market, or sell goods or services using the Marks over the Internet, the world wide web, or any other electronic network.

5. Offer and sell the services and products authorized for Franchised Business using the Marks or other trademarks, service marks, and commercial symbols to Special Accounts as defined and per the conditions set forth in this Agreement.

6. Own, acquire, establish, and operate, and license others to establish and operate businesses like the Franchised Business or substantially similar to the Franchised Business, whether under the Marks or other proprietary marks, in Special Venues as defined in this Agreement.

D. Special Venues

Franchisor, its affiliates or a franchisee or licensee may own, acquire, establish and operate, and license others to establish and operate businesses like the Franchised Business or substantially similar to the Franchised Business, whether under the Marks or other proprietary marks in any temporary or permanent venue where there is a captive audience and where the primary purpose is other than patronizing a The Rush Coffee business (“Special Venue”)—e.g., malls, entertainment, and sports centers, military bases, transportation facilities, supermarkets, service stations, and carnivals within or outside of the Territory.

E. Special Accounts

The Franchisor has the exclusive right to contract with customers or third-party delivery carriers and/or vendors whose offices, stores, plants, buildings, or other physical facilities are not confined to the territory of a single franchisee of The Rush Coffee or a Franchisor/Affiliate-owned business (“Special Account(s)”). If Franchisor establishes a contract for facilities of a Special Account located in the Territory, Franchisor shall offer Franchisee the first option of providing the Franchised Business’s services to the Special Account at those facilities in the Territory at the prices and subject to the contract requirements negotiated by Franchisor with the Special Account. If Franchisee accepts the project, Franchisor will collect all amounts due from the Special Account and remit to Franchisee the amount due for products and services rendered to the Special Account, less the amount of Royalties and other fees due under this Agreement. All amounts collected from Special Accounts on Franchisee’s behalf, or by Franchisee from Special Accounts, will be included in Franchisee’s Gross Revenues for purposes of calculating Royalties and other fees due under this Agreement.

If Franchisee declines to accept the project, Franchisor will have the unfettered right to fulfill the contract requirements to the Special Account in the Territory in any manner it deems suitable, including through other The Rush Coffee Franchisees, a Franchisor or Affiliate-owned business, or a third-party contractor. Additionally, if at any time a Special Account makes a commercially reasonable request that services in the Territory be provided by someone other than Franchisee, Franchisor may revoke Franchisee’s option or right to provide, or continue to provide, the services to that Special Account, and Franchisor may fulfill the contract requirements of the Special Account in the Territory in any manner Franchisor deems suitable.

F. Acquisition of Competing System

If Franchisee is in compliance with this Agreement and Franchisor acquires a Competitive Businesses (once acquired, an “Acquired System”) during the Term of this Agreement, the following provisions shall apply:

1. Franchisor shall offer Franchisee the option to purchase and operate, as a The Rush Coffee franchise, any unit of the Acquired System (an “Acquired Unit”) that is purchased by Franchisor for operation by Franchisor (e.g., the unit will not be operated by a licensee of the Acquired Systems) and is located within the Territory. Franchisor shall provide Franchisee with written notice of Franchisor’s purchase of the Acquired System, the terms and conditions applicable to Franchisee’s option to purchase Acquired Units, and such other information that Franchisor deems necessary to be included in the notice. The terms and conditions offered to Franchisee will include, without limitation, the following: (i) the purchase price of the unit; and (ii) the requirement that Franchisee enters into Franchisor’s then-current form of the franchise agreement for the Acquired Unit, provided that Franchisee shall not be required to pay an initial franchise fee for an Acquired Unit. If Franchisee does not elect to purchase, or fails to complete the purchase of, an Acquired Unit within two months after its receipt of the notice, Franchisor shall have the right to operate the Acquired Unit itself, or through an Affiliate or third-party licensee, under any trade name or trademark other than the Marks.
2. Franchisee has no right to purchase, and Franchisor is not obligated to offer Franchisee any option to purchase, any Acquired Unit that is operated by a licensee under the Acquired Systems. Franchisor may license such units to be operated under any trade name or trademarks other than the Marks and may also license additional units of the Acquired Systems to be developed and operated within the Territory.

II

TERM AND RENEWAL

A. Initial Term

Except as otherwise provided, the initial term of this Agreement shall be for a period of five years commencing on the date set forth on the cover sheet of this Agreement (the “Initial Term”).

B. Renewal

Upon the expiration (but not a sooner termination) of the Initial Term, Franchisee may, at its option, renew this Agreement for an additional five year period (the “Successor Term”), provided that at the end of each such term (collectively, the Initial Term, as well as any Successor Terms, may be referred to as the “Term”), all of the following are true:

1. Franchisor is still offering Franchises at the time of each renewal period.
2. Franchisee has given Franchisor written notice of its election to renew not less than six months, nor more than one year, prior to the end of the preceding Term.
3. Franchisee is not in default under any provision of this Agreement, or any other agreement or instrument between Franchisee and Franchisor or its affiliates, and Franchisee has not been in default of this or such other agreements, whether cured or uncured, during the preceding Term.

4. The Franchised Business must meet Franchisor's then-current requirements, or Franchisee must make all expenditures deemed reasonably necessary by Franchisor to refurbish or replace the Franchised Business' equipment and signage to reflect Franchisor's then-current requirements and brand image.
5. Franchisee executes Franchisor's then-current form of the franchise agreement and all other agreements and contracts that are normally and customarily signed by The Rush Coffee's franchisees, which agreement shall supersede this Agreement in all respects.
6. At least 30 calendar days prior to the expiration of a Term, Franchisee on behalf of itself and its representatives must sign a general release of any and all claims against Franchisor and its representatives related in any way to, without limitation, the Franchised Business, the System, and/or Franchisor's actions or inactions vis-a-vis Franchisee.
7. Franchisee pays Franchisor a Successor Term fee of 50% of the then-current initial franchise fee at the same time that Franchisee gives Franchisor the written request required by this section. If Franchisor refuses to grant Franchisee a Successor Term, Franchisor shall, at the same time that Franchisor notifies Franchisee of the refusal, refund the Successor Term fee paid by Franchisee. The Successor Term fee is not, however, refundable under any other circumstances.
8. Franchisee shall comply with Franchisor's then-current qualification and training requirements, including, without limitation, any training requirements specifically designated for renewing Franchisees.

C. Interim Term

If Franchisee does not execute a new franchise agreement before the expiration of the Initial Term and Franchisee continues to operate the Franchised Business beyond the Initial Term, then at Franchisor's option, this Agreement may be treated either as: (i) expired as of the expiration of the Initial Term, with Franchisee then operating without a legal right to do so and in violation of Franchisor's rights; or (ii) continuing on a month-to-month basis (the "Interim Term") until terminated by either Party (which shall require at least 30 calendar days' advance written notice). In the latter case, during the Interim Term, all of Franchisee's obligations will remain in full force and effect as if this Agreement had not expired, except Royalty Fees, and all other fees, shall be at the Franchisor's then-current rates/amounts, plus an additional 2% Royalty Fee on Gross Revenues.

Except as described above, all obligations and restrictions imposed on Franchisee upon the expiration of this Agreement will be deemed to take effect upon termination of the Interim Term. If any applicable laws requires a longer notice period, the above-referenced 30-day period will be deemed modified to be the shortest notice period required by law.

III

INITIAL AND ONGOING FEES

A. Initial Franchise Fee

Franchisee shall pay Franchisor an initial franchise fee of \$20,000, which shall be payable via cash, check, money order, wire, or bank draft. Subject to the terms of the disclosure of which this Agreement is a part, the initial franchise fee is fully earned, due, and payable to Franchisor upon the execution of this Agreement, in consideration of, among other things, the administrative and other expenses incurred by Franchisor in furnishing items to Franchisee, as well as for Franchisor's lost or deferred opportunity to franchise to others.

B. Royalty Fee

In addition to the initial franchise fee, Franchisee shall pay Franchisor the following royalty fees (the "Royalty Fee(s)"):

1. 5% of Gross Revenues each month after opening for the first six months (i.e., months 1-6).
2. \$500 per month for the next six months (i.e., months 7-12).
3. Beginning in month 13, and continuing on each month until expiration of the Initial Term, \$750 per month, plus 1% of the Franchised Business's Gross Revenues.

Royalty Fees are due and payable by the 15th of each month and shall be calculated upon Franchisee's Gross Revenues for the preceding calendar month. Franchisee shall also pay all federal, state, and local sales or use taxes that may be levied or assessed, in whole or in part, on the Royalty Fees payable to Franchisor, regardless of whether such taxes be assessed against or payable by Franchisor or Franchisee. *[The term "Gross Revenues" means all sales and other income (recognized on an accrual basis), whether cash or credit or barter for exchange (regardless of the collection in the case of credit), arising from the operation of the Franchised Business, less (i) all refunds and discounts made to customers in good faith and in accordance with Franchisor's policies, and (ii) any sales or excise taxes that are separately stated and that Franchisee may be required to and does collect from customers and pays to any federal, state, or local taxing authority.]*

Franchisee's obligations to make payments in accordance with this Agreement, as well as any other agreement between Franchisor or its affiliates with respect to the Franchised Business are absolute and unconditional. Such fees are not subject to abatement, reduction, setoff, defense, counterclaim, or recoupment due or alleged to be due to any past, present, or future claims that Franchisee has or may have against Franchisor, any of its affiliates, any of its designees, or against any other person for any reason whatsoever.

C. Late Payments

Although each failure by Franchisee to timely pay any fee due under this Agreement when due constitutes a material breach of this Agreement, to encourage prompt payment and to cover the costs involved in processing late payments, if any payment owed by Franchisee to Franchisor is overdue for any reason, Franchisee must pay to Franchisor interest on that overdue amount upon demand by Franchisor from the due date until the overdue amount is paid at a rate equal to the lesser of 5% per year or the highest rate allowed by applicable law.

D. Method of Payment

Franchisee agrees to remit fees and any other amounts due to Franchisor hereunder via electronic funds transfer or other means as Franchisor may stipulate. Franchisee agrees to execute and deliver to Franchisor an authorization for electronic transfer of funds (see Exhibit 3, or such other form as Franchisor may accept) for direct debits from Franchisee's primary business checking operating account. Franchisee authorizes Franchisor to initiate debit entries and/or correction entries to the above-referenced business checking account for payment of Royalty Fees or any other fees and amounts payable to Franchisor, including, but not limited to, attorney fees, costs, late fees, and interest. Franchisee shall make funds available to Franchisor for withdrawal by electronic transfer no later than the due date for any payment due. If Franchisee has not timely reported Franchisee's Gross Revenues to Franchisor for any reporting period, then Franchisor shall be authorized to debit Franchisee's account in an amount equal to 125% of the Royalty Fees and other fees and amounts payable by Franchisee for the last reporting period for which a statement of operations was received from Franchisee. Nothing contained in this paragraph shall be construed to waive Franchisee's obligations to submit any reports, records, or other

materials required by this Agreement or waive any remedy available to Franchisor for Franchisee's failure to make timely payments.

E. Security Interest

As security for all of Franchisee's monetary and other obligations to Franchisor arising under or relating to this Agreement, or any other agreement entered into with Franchisor with respect to the Franchised Business, Franchisee grants to Franchisor a security interest in all of Franchisee's assets used in connection with the Franchised Business. Such assets shall include, without limitation, the lease for the vehicle being used to operate the Franchised Business, as well as the Franchised Business's equipment, inventory, and all other property (tangible or intangible), now owned or later acquired, and used in any capacity in connection with the Franchised Business (collectively, the "Security"). Franchisee shall execute such financing statements, continuation statements, notices of lien, assignments, or other documents as may be required to perfect and maintain Franchisor's security interest. Franchisee authorizes Franchisor to execute and file, on behalf of either or both parties, any of the documents described in this provision of the Agreement.

IV

OPENING OF FRANCHISED BUSINESS

A. Site

The site for the Franchised Business is a truck or trailer outfitted with Franchisor's mobile package (the "Site"). The Site must be approved by and meet Franchisor's then-current requirements and is identified in Exhibit 2 to this Agreement. Franchisee may only operate the Franchised Business from the Site.

Franchisee acknowledges and agrees that Franchisor's approval of the Site is solely based upon the Site conforming to Franchisor's System Standards and is not intended as, nor should it be interpreted as, an opinion, testament, or assurance regarding the success or profitability of the Site or the Franchised Business.

B. Schedule of Equipment

Franchisor shall provide, at no charge to Franchisee, a schedule of all equipment and inventory necessary to operate the Franchised Business.

C. Compliance with Laws

At all times, Franchisee shall comply with all federal, state, and local laws, rules, ordinances, and regulations, including without limitation, those involving: (i) employment (e.g., labor laws, workers compensation, etc.); (ii) disabilities and access (e.g., ADA); and/or (iii) health and safety. If Franchisee receives any complaint, claim, or other notice alleging a failure to comply with any applicable law, rule, etc., Franchisee shall provide Franchisor with a copy of such notice within five business days of receiving the notice.

D. Opening Date

Franchisee shall have four months from the date of execution of this Agreement to purchase/lease and outfit the Site with the appropriate mobile package required by Franchisor (i.e., featuring the Marks, etc.).

Franchisee shall otherwise complete all pre-opening requirements and commence operation of the Franchised Business no later than five months from the date of execution of this Agreement.

E. Notice of Franchisor's Final Inspection Approval

In connection with the opening of the Franchised Business, Franchisee shall provide at least thirty days prior notice to Franchisor of the date on which Franchisee proposes to commence operating the Franchised Business. Franchisee agrees not to commence operating of the Franchised Business without first obtaining Franchisor's final written inspection approval.

V

TRAINING AND ASSISTANCE

A. Initial Training

Prior to opening the Franchised Business, Franchisee and/or its below-defined Designated Manager shall attend and successfully complete, the initial training program offered by Franchisor at a location designated by Franchisor. If any required attendee does not satisfactorily complete such training, Franchisor may require that a replacement person attends and successfully completes at Franchisee's sole expense, the initial training program.

Franchisee acknowledges that the grant of the franchise under this Agreement is conditioned upon the successful completion of Franchisor's initial training program by Franchisee and/or a Designated Manager. If, therefore, during the course of the initial training program, or within 15 calendar days after the end of the training, Franchisor concludes that Franchisee and/or the Designated Manager, as the case may be, has not exhibited the aptitude, abilities, or personal characteristics necessary or desirable to successfully operate the Franchised Business in accordance with the standards and procedures that make up the System, Franchisor may, in its sole discretion, cancel this Agreement by giving written notice to Franchisee.

Upon such cancellation of this Agreement, Franchisee shall return to Franchisor all copies of the Operating Manual and any other materials received from Franchisor. Franchisee agrees to maintain the confidentiality of all information received relating to System and not to use, in connection with the offering or selling of coffee, espresso drinks, smoothies, sodas, teas, shaved ice, other beverages, baked goods, and desserts, or similar business, any trade secrets or confidential information obtained from Franchisor.

B. Training of Replacement Personnel

If Franchisee's Designated Manager ceases active day-to-day involvement in the Franchised Business, Franchisee shall have 45 calendar days to hire/select a new Designated Manager who meets Franchisor's then-current training requirement and is approved by Franchisor. The latter does not apply to a Franchisee who is actively involved in the day-to-day operations of the Franchised Business.

Franchisor reserves the right to review any Franchisee-trained personnel and require that such persons attend and successfully complete, at Franchisee's sole expense, the initial training programs offered by Franchisor at a location designated by Franchisor.

C. Ongoing Training

Franchisor may also require that Franchisee (and/or its Designated Manager), employees, and contractors attend, at Franchisee's sole expense, such refresher courses, seminars, and other training programs as Franchisor may reasonably require from time to time.

VI SYSTEM STANDARDS

A. Standards

Franchisee acknowledges and agrees that every detail of the System is important to develop and maintain high and uniform operating standards, to increase the demand for the products and services offered by all of The Rush Coffee's franchisees, to establish and maintain a reputation for uniform, efficient, high-quality products and services, and to protect the goodwill of all The Rush Coffee franchises. Franchisee further acknowledges and agrees that a fundamental requirement of this Agreement is Franchisee's strict adherence to the uniform specifications, standards, operating procedures, and rules prescribed by Franchisor for the development and operation of the Franchised Business (collectively referred to as System Standards).

Accordingly, Franchisee must operate the Franchised Business in conformity with such System Standards as Franchisor may from time to time prescribe in the Operating Manual or in another written form. Franchisee further agrees that System Standards prescribed from time to time in the Operating Manual or otherwise communicated to Franchisee in writing shall constitute provisions of this Agreement as if fully set forth in this Agreement. All references to this Agreement shall, therefore, include all System Standards as they existed on the date of execution of this Agreement, and after.

In addition to all other remedies provided in this Agreement or available to Franchisor by law, if Franchisee fails to adhere to the System Standards, Franchisee shall reimburse Franchisor for any and all cost and expenses (including attorneys' fees and costs) arising out of this Agreement.

B. Supplier Approval

Franchisee must purchase all of the inventory and supplies necessary to operate the Franchised Business from Franchisor, its affiliates, or the suppliers that the Franchisor designates, at prices the Franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods.

At the present time, Franchisor is the exclusive supplier of all coffee, frappe mix, teas, straws, and printed coffee sleeves, and the nonexclusive supplier of smoothie mixes, to The Rush Coffee franchisees.

To the extent that Franchisor designates a supplier for any products or services sold as part of the Franchised Business, Franchisee may not use any other supplier to provide those products or services without Franchisor's express written consent. Franchisor may designate new or different approved suppliers from time to time, including Franchisor itself, or one of Franchisor's affiliates (although at the current time, Franchisor does not have any such affiliates).

With respect to the flavored syrups, smoothie mix, straws, paper goods (other than cups and sleeves), and desserts/pastries, while Franchisee must use the brands that Franchisor designates, at the present time, Franchisee is free to purchase those items from a designated vendors or from any other source that Franchisee chooses. Franchisor, however, reserves the absolute right to rescind this particular right upon written notice to Franchisee.

As was stated above, if Franchisee would like to utilize a supplier for one or more products or services outside of Franchisor's exclusivity, Franchisee must obtain Franchisor's prior written consent. Franchisor's general criteria for designating such suppliers include their: (i) ability to meet Franchisor's quality standards; (ii) availability; and

(iii) consistency of their products or services. Franchisor's primary criteria for designating and approving suppliers are not published and are not made available to franchisees. To approve such a supplier, Franchisor requires: (a) a sample of the product(s); (b) information regarding the product's quality standards, availability, and terms and conditions of purchase; and (c) any other information that Franchisor may request. Franchisor may also request a physical inspection of the supplier's place of business or manufacturing facility. Franchisor will generally notify Franchisee of its decision regarding a supplier within 30 calendar days of Franchisor's receipt of the samples and information requested (and, if requested, a site visit). As a condition of approval, Franchisee must reimburse Franchisor for all reasonable costs incurred in approving the supplier, including without limitation, travel costs and legal fees. Franchisor reserves the right to revoke the approval of any supplier upon 30 calendar days' written notice to Franchisee.

FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR MAKES NO WARRANTIES REGARDING ANY EQUIPMENT, PRODUCTS, SUPPLIES, OR SERVICES PROVIDED TO FRANCHISEE FOR THE OPERATION OF THE FRANCHISED BUSINESS, AND FRANCHISEE THEREFORE DISCLAIMS THE IMPLIED WARRANTY OF MERCHANTABILITY, THE IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, OR ANY OTHER IMPLIED WARRANTY.

FRANCHISEE AGREES THAT THE DISCLAIMERS SET FORTH IN THIS PROVISION OF THE AGREEMENT CONSTITUTE AN ESSENTIAL PART OF THIS AGREEMENT AND THAT THE FRANCHISOR WOULD NOT HAVE ENTERED INTO THIS AGREEMENT ABSENT THE ENFORCEABILITY OF SUCH A DISCLAIMER. Any claim, therefore, made by Franchisee and relating in any way to any equipment, products, supplies, or services, shall be made only against the third-party vendor or manufacturer, and never against the Franchisor, who Franchisee acknowledges and agrees, shall have no liability to Franchisee or any other third party.

Franchisee will provide Franchisor with reasonable written notice prior to taking any action in connection with such a claim. Franchisor may, in its sole discretion, assist Franchisee in resolving any disputes with third-party vendors or manufacturer approved and/or designated by Franchisor.

C. Products and Services

Franchisee must use the Site solely for operating the Franchised Business. Except to the extent limited by federal, state, or local laws, Franchisee must keep the Franchised Business open for business and in normal operation for such minimum hours and days as Franchisor may from time to time prescribe in its Operating Manual, or otherwise in writing.

Franchisee shall offer and sell all products and services, and only those products and services, authorized by Franchisor, specified in the Operating Manual, or as designated in writing by Franchisor (the "Permitted Products and Services"). Franchisor may unilaterally add and delete products or services to or from the Permitted Products and Services at any time. Franchisor may also designate any products or services as optional.

D. Pricing

To help promote System uniformity and consistency, Franchisor shall have the absolute right to set and establish pricing for all products and services offered by the Franchised Business. Franchisee shall honor all of the currency, credit, charge, courtesy, and cash card programs approved by Franchisor.

E. Promotions

Franchisee shall fully participate, honor, and comply with any local, regional, seasonal, promotional, and other programs, initiatives, and campaigns adopted by Franchisor that Franchisor requires Franchisee to participate in, including but not limited to gift certificates, specials, discounts, loyalty programs, and gift cards. Franchisee may

not create, honor, accept, or issue any gift certificates, gift cards, coupons, or discounts except those issued or approved in writing by Franchisor.

F. Fixtures and Furnishings

Franchisee shall purchase and install on the Site, at Franchisee's expense, all fixtures, furnishings, signs, Computer Systems, and other equipment designated from time to time by Franchisor as being part of the System Standards. Franchisor shall not permit the installation of any fixtures, furnishings, signs, Computer Systems, or other equipment that fail to conform to the System Standards.

G. Maintenance Standards

Franchisee shall maintain the Franchised Business and all of its equipment and fixtures in a high degree of sanitation, repair, and condition. Franchisee shall, therefore, make all additions, alterations, repairs, and replacements to its equipment and fixtures as may be necessary from time to time, including without limitation: (i) periodic repainting; (ii) equipment maintenance and repairs; or (iii) replacement of obsolete signs, furnishings, equipment, or Site-interior decor. Franchisee shall grant Franchisor (and its agents) the right to enter the Franchised Business at any reasonable time for the purpose of conducting an inspection to ensure compliance with this provision of the Agreement.

At Franchisor's request, which may be made no more than once every two years during the Term of this Agreement (excluding any periods of renewal of the franchise rights, for which additional refurbishment may be required), Franchisee shall refurbish the Franchised Business at its own expense to conform to the trade dress, color schemes, and presentation of the Marks in a manner consistent with the image then in effect for any newer The Rush Coffee franchises. Such refurbishment may include structural changes, installation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements. Franchisee shall complete the refurbishing within the reasonable time period specified by Franchisor.

H. Variance

Franchisee acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, subject to applicable law, Franchisor specifically reserves the right and privilege to vary System Standards for any of its individual franchisees.

VII

FRANCHISED BUSINESS OPERATIONS

A. Business Operation

After opening, and continuing at all times during the Term of this Agreement, Franchisee shall maintain the Franchised Business in continuous operation during all normal business hours as provided for in the Operating Manual. Franchisee shall use its best efforts to promote and develop the market for the Permitted Products and Services. At all times, the Franchised Business must be under Franchisee's and/or the Designated Manager's direct supervision. This means that Franchisee and/or the Designated Manager must devote his or her full time and energy to the operation of the Franchised Business.

B. Inspection

To ensure compliance with this Agreement and System Standards, Franchisor or its designated agents have the right, at any reasonable time and without prior notice, to: (i) inspect the Franchised Business; (ii) observe Franchise Owner and its employees during the performance of work; (iii) confer with the Franchisee, Designated Manager, and/or the Franchised Business's employees; (iv) contact and interview customers and suppliers/distributors; (v) conduct an inspection and inventory of inventory, equipment, signage, fixtures, furniture, and supplies of the Franchised Business; (vi) test the Franchised Business's products and supplies; and (vii) conduct surveys or hire secret shoppers. Franchisor may require that Franchisee furnishes its customers with evaluation forms provided by Franchisor and pre-addressed to the Franchisor. Franchisee agrees to fully cooperate with Franchisor's representatives during the performance of any inspection or evaluation contemplated in this section of the Agreement.

If any inspection conducted by Franchisor or its designee reveals that the Franchised Business fails to meet the requisite System Standards, Franchisor may charge the then-current standard re-inspection fee. Franchisee's failure to achieve or exceed System Standards in two inspections in any 24-month period shall constitute a material breach of this Agreement, for which Franchisor, in addition to its other legal and equitable remedies, may terminate this Agreement, refuse to renew the Franchise granted under this Agreement, or reduce the geographic size of the Territory.

C. Performance Standard

Franchisee acknowledges and agrees that to remain in good standing and maintain the Territory rights granted under this Agreement, the Franchised Business must generate Gross Revenues of at least \$10,000 per month (the "Performance Standard"). Failure to meet the Performance Standard for six consecutive months shall constitute a material breach of this Agreement, at which time Franchisor shall have the right to grant another franchisee the right to open a competing franchise within the Territory.

Franchisee acknowledges that the Performance Standard does not constitute a claim or promise related to the anticipated earnings or financial performance of the Franchised Business. Franchisor therefore disclaims any representation, warranty, or guarantee that Franchisee can or will achieve levels of sales necessary to comply with the Performance Standard, or any other level or range of sales, income, or other measures of performance. As a practical business matter, Franchisor is unable to reliably estimate or predict the future financial condition of the Franchised Business.

D. Payment of Liabilities

At all times, Franchisee shall timely pay any debts or obligations due to its distributors, lessors, contractors, suppliers, creditors, and employees. In addition to any other indemnitee obligations contained in this Agreement, Franchisee shall indemnify, defend, and hold Franchisor harmless from all such debts and obligations. Franchisee's failure to timely pay its debts and obligations, or indemnify Franchisor when required to do so, shall constitute a material breach of this Agreement.

If Franchisee fails to timely pay any such debts or obligations, in addition to any other rights and remedies granted to Franchisor by law or under this Agreement, Franchisor shall have the right, in its sole discretion, to pay any or all of Franchisee's obligations. If Franchisor elects to pay any such debts or obligations, Franchisee shall repay Franchisor all sums paid on its behalf, plus interest at the maximum legal rate, concurrently with the next Royalty Payment due, or within 14 calendar days, whichever occurs first. Franchisee's failure to timely reimburse Franchisor, including interest, shall constitute a material breach of this Agreement.

E. Payment of Taxes

At all times, Franchisee shall timely pay all taxes related to the Franchised Business's personal property, leasehold improvements, fixtures, equipment, payroll, etc. In addition to any other indemnitee obligations contained in this Agreement, Franchisee shall indemnify, defend, and hold Franchisor harmless from all such taxes. Franchisee's failure to timely pay all taxes due, or indemnify Franchisor when required to do so, shall constitute a material breach of this Agreement.

If Franchisee fails to timely pay any such taxes, in addition to any other rights and remedies granted to Franchisor by law or under this Agreement, Franchisor shall have the right, in its sole discretion, to pay any or all of the Franchised Business's taxes then due. If Franchisor elects to pay such taxes on Franchisee's behalf, Franchisee shall repay Franchisor all sums paid on its behalf, plus interest at the maximum legal rate, concurrently with the next Royalty Payment due, or within 14 calendar days, whichever occurs first. Franchisee's failure to timely reimburse Franchisor, including interest, shall constitute a material breach of this Agreement.

F. Compliance with Law

Franchisee agrees to comply with all laws, regulations, and requirements of federal, state, municipal, and other governmental entities and agencies (including, but not limited to, Title VII of the Civil Rights Act, the ADA, the Age Discrimination in Employment Act, and any other federal, state or local employment laws relating to occupational hazards and health, consumer protection, employment discrimination, and sexual harassment), and to obtain and maintain any and all licenses and permits required by any governmental agencies or otherwise necessary to conduct the Franchised Business in any jurisdiction in which it operates. Franchisee agrees and acknowledges that Franchisee alone shall be responsible for compliance with the obligations under this provision of the Agreement.

Franchisee acknowledges that it has a clear understanding of the relevant wage and labor laws, including those relating to the misclassification of independent contractors. Franchisee agrees that it shall at all times operate independently from Franchisor and shall not be considered, either directly or indirectly, or ostensibly or otherwise, to be an employee, employer, agent, joint-venturer, shareholder, trustee, or partner of Franchisor. Except as is specifically set forth in this Agreement, Franchisee acknowledges and agrees that Franchisor has no right to control the business or operations of the Franchised Business, or to control the hiring and firing of Franchisee's employees, it being understood that so long as Franchisee conducts the Franchised Business in a lawful manner and in compliance with the terms of this Agreement, that the control over Franchisee's employees remains exclusively with Franchisee. Franchisee, therefore, agrees to indemnify and hold Franchisor harmless from any all claims, liabilities, fines, debts, suits, actions, expenses (including attorney's fees and costs), charges, proceedings, and/or demands arising out of any misclassification of Franchisee's employees, and/or any labor or wage claims between Franchisee and any of its employees and/or independent contractors who provided any services to the Franchised Business.

G. Notice of Suit

If Franchisee becomes the subject of any legal proceeding, administrative or otherwise, or if any arbitrator, court, administrative agency, or government agency initiates an investigation or issues an order that could adversely affect the operation or financial condition of the Franchised Business, Franchisee must immediately notify Franchisor in writing. Such notice must include a detailed synopsis of the relevant facts and procedural status of the suit/investigation/order, and Franchisee must cooperate with Franchisor by providing Franchisor with copies of any related documents that Franchisor requests.

H. Client Service

Franchisee acknowledges that customer satisfaction is essential to Franchisee's success, as well as to the reputation and success of the Marks, the System, and other The Rush Coffee franchisees. Accordingly, Franchisee agrees to: (i) use its best efforts to ensure the satisfaction of each of Franchisee's customers; (ii) use good faith and fair dealing in all dealings with customers, potential customers, suppliers, and creditors; (iii) respond to customer complaints in a courteous, prompt, and professional manner; and (iv) use its best efforts to resolve customer disputes promptly and fairly in a mutually agreeable manner. If Franchisee fails to resolve a dispute with a customer, Franchisor shall have the right, in its sole discretion, to investigate the matter and require Franchisee to take such actions as Franchisor deems necessary or appropriate to resolve the dispute fairly and promptly. Nothing contained in this Section or any other provision of this Agreement shall be construed to impose liability upon Franchisor to any third party for any of Franchisee's actions or inactions.

VIII MANAGEMENT AND STAFFING

A. Entity Franchisee

If Franchisee is a legal entity, then that legal entity shall comply with the following requirements prior to or contemporaneously with Franchisee's execution of this Agreement:

1. The entity's governing documents (e.g., articles of organization, bylaws, partnership agreement, shareholder/operating agreement, etc.) shall provide (or be amended to provide) that its activities are confined exclusively to operating the Franchised Business (or one or more additional The Rush Coffee franchises).
2. A list of the entity's owners (e.g., members, shareholders, partners, managers, etc.) shall be provided as requested in Exhibit 1 to this Agreement. If any subsequent changes in such information occurs, Franchisee must notify Franchisor in writing within seven calendar days of the change.
3. All shareholders, members (or in the case of a manager-manager LLC, the managing members), and partners of Franchisee shall enter into an agreement, in a form satisfactory to Franchisor, unconditionally guaranteeing the full payment and performance of the entity's obligations to Franchisor.
4. Each ownership certificate of Franchisee, if any, shall have conspicuously endorsed upon its face the following legend:

"The transfer, sale, or pledge of these shares is subject to the terms and conditions of a Franchise Agreement with The Rush Coffee Franchise Group LLC dated _____."
5. Copies of Franchisee's governing documents, as well as a signed resolution authorizing the execution of this Agreement, shall be furnished to Franchisor for its approval.
6. Franchisee's name shall not consist of or contain the Marks, or any colorable variation of the Marks.

B. Designated Manager

If Franchisee is an entity, then prior to beginning the initial training program, Franchisee shall designate, subject to Franchisor's approval, an individual who shall be responsible for general oversight and management of the day-to-day operations of the Franchised Business on behalf of Franchisee (the "Designated Manager"). There are few bright-line Criteria for Franchisor's approval of the Designated Manager, but such criteria does include the Designated Manager's successful completion of the Franchisor's initial training.

Franchisee acknowledges and agrees that the Designated Manager shall have reasonable decision-making authority and responsibility regarding all aspects of the day-to-day operations of the Franchised Business, and that Franchisor may rely upon that broad authority.

If the Designated Manager dies, becomes incapacitated, leaves Franchisee's employ, transfers his or her interest in Franchisee, or otherwise ceases to supervise the operations of the Franchised Business, Franchisee shall have 45 calendar days to select a new Designated Manager, subject to Franchisor's reasonable approval.

IX COMMUNICATIONS AND INFORMATION SYSTEMS

A. Computer System

To ensure the efficient management and operation of the Franchised Business and the transmission of data to and from Franchisor, prior to opening, Franchisee shall, at its own expense, install, maintain, and utilize during the Term of this Agreement, such point of sale systems, hardware, and proprietary/licensed software (i.e., Computer Systems) that Franchisor may designate for mandatory use from time to time.

Currently, Franchisee must use Square as its point of sale system for processing credit cards and invoicing. Franchisor does not, however, require Franchisee to utilize any other software or hardware. If, subsequent to execution of this Agreement, Franchisor notifies Franchisee in writing that the Franchised Business must utilize additional hardware and/or software, whether proprietary or licensed, Franchisee will be required to execute any documents necessary to facilitate Franchisee's use of the Computer Systems, as well as pay any applicable fees for the purchase, license, installation, maintenance, update, upgrade, and/or support required by Franchisor or any other approved licensor or approved supplier of such Computer Systems. *[As used in this Agreement, the phrase "Computer System(s)" shall mean communication systems, computer systems, point of sales systems, software, applications, and other electronic or digital hardware, whether proprietary or licensed, that Franchisor mandates for use in the Franchised Business or that Franchisee uses in the operation of the Franchised Business, including without limitation: (i) back office and point of sale systems, software, applications, mobile devices, data, audio, video, and voice storage, retrieval, and transmission systems; (ii) physical, electronic, and other security systems; (iii) printers and scanners; (iv) archival back-up systems; and (v) Internet and mobile access modes and applications.]*

If required by Franchisor, Franchisee shall obtain and maintain a contract with a vendor that Franchisor has approved in writing for software and application maintenance, support, and upgrade services for Franchisee's Computer Systems and to provide Franchisee with such assistance as Franchisee and Franchisee's employees may require. Franchisee acknowledges that Franchisor may be one of or the only approved vendor for such services, and in such cases, Franchisee agrees that it shall pay Franchisor the maintenance fee and help desk fee specified by Franchisor for such services.

Franchisee shall upgrade and update its Computer Systems in the manner and when specified by Franchisor in writing. At all times, Franchisee shall be solely responsible for the manner in which Franchisee's Computer Systems interface with other systems, including those of Franchisor and other third parties, as well as any consequences that may arise if Franchisee's Computer Systems are not properly operated, maintained, or upgraded.

Franchisee shall: (a) promptly enter into its Computer Systems, and maintain, all information required to be entered and maintained by Franchisor from time to time (including, without limitation, all sales generated and expenses paid by the Franchised Business); (b) provide to Franchisor such reports as Franchisor may request

from the data so collected and maintained; and (c) permit Franchisor to unfettered access Franchisee's Computer Systems at all times via any means specified by Franchisor from time to time. Franchisee shall cooperate with Franchisor and shall execute all documents required by Franchisor to permit its access to Franchisee's Computer Systems and data contained within. The reporting requirements set forth in this Section shall be in addition to and not in lieu of the reporting requirements set forth otherwise in this Agreement.

All data collected or downloaded from Franchisee's Computer Systems, shall be owned exclusively by Franchisor, and Franchisor shall have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee. Such use may include, without limitation, the disclosure or distribution of such information to other franchisees or to prospective franchisees of Franchisor, by inclusion in Franchisor's franchise disclosure document, or any other use that Franchisor deems appropriate. Franchisee shall enjoy a charge free license to use such data, but only for the purpose of operating the Franchised Business. Franchisee's license to use such data shall, therefore, automatically terminate upon expiration or termination of this Agreement without any further notice.

B. Telephone and Electronic Mail, Text, and Messaging

Franchisee shall maintain telephone, electronic mail, text, and messaging services and features (all a part of the "Computer Systems" defined above) for use exclusively by the Franchised Business as required by Franchisor in the Operations Manual or otherwise communicated to Franchisee from time-to-time.

Franchisee acknowledges that at all times, the Franchised Business's telephone number(s), electronic mail, text, and messaging account(s) and listing(s) will remain in the name, and sole property, of Franchisor. Franchisee shall nonetheless remain solely responsible for all costs and expenses associated with the Franchised Business's telephone numbers(s), electronic mail, text, and messaging account(s) and listings(s), including without limitation any deposits, connection, installation, maintenance, storage, and usage fees.

X

RECORDS AND REPORTS

A. Records

Franchisee shall prepare and maintain—in accordance with generally accepted accounting principles—complete and accurate books and records of accounts and customer files and records pertaining to the Franchised Business as prescribed by Franchisor in the Operating Manual or otherwise in writing. Franchisee shall preserve all such books, records, and files for seven years from the date they are created, regardless of whether or not this Franchise Agreement has expired or been otherwise terminated.

In connection with its maintenance of such books, records, and files, Franchisee, shall, at its sole expense:

1. Submit to Franchisor, on or before the 15th of each month during the Term of this Agreement, a report detailing the Franchised Business's Gross Revenue for the preceding month, as well as any other related data that Franchisor may request. The Franchisee or Designated Manager shall certify in writing that the report constitutes an accurate reflection of the Franchised Business's Gross Revenues for the relevant time period.
2. Submit to Franchisor monthly, quarterly, and/or annual financial reports, including balance sheets, cash flow statements, profit and loss statements, and other reports as required by Franchisor. Franchisee shall submit such reports within 14 calendar days of Franchisor's request, and shall be certified in writing

by Franchisee or the Designated Manager as being an accurate reflection of the Franchised Business's financial condition for the relevant time period.

3. Submit to Franchisor signed copies of the Franchisee's federal income tax returns for the previous tax year, as filed with the Internal Revenue Service, as well as the K-1's of all owners (e.g., shareholders, members, and partners) holding an ownership interest in the Franchised Business of 50% or greater. Franchisee shall submit such documents to Franchisor on or before April 30 of each year, or if the taxpayer has received an extension of time to file and submits to Franchisor a signed, file-stamped copy of IRS Form 4868 or 2688, as applicable, then within 15 calendar days after the final due date for such return, but in no event later than October 30th.

4. Submit to Franchisor for review or auditing, such other forms, reports, bank statements, customer files, records, information, and data as Franchisor may designate, in the form, and at such times and places as, Franchisor may request.

B. Franchisor Audits and Inspection

At all times during the Term of this Agreement and for a period of three years after its termination or expiration or seven years from the date the record was created, whichever is greater, Franchisee shall permit Franchisor or its designated agents to examine and copy, at Franchisor's expense and at such location as Franchisor may reasonably select, Franchisee's books and records of accounts, bank statements, canceled checks, customer files, federal, state, and local income tax, sales and use tax, and payroll tax returns, the federal income tax returns of any owner (e.g., shareholder, member, partner, etc.) who owns an ownership interest in Franchisee of at least 50%, and any other information or records pertaining to the Franchised Business (collectively referred to as Franchisee's Business Records).

If such an audit should reveal that Gross Revenues were ever understated in any report made to Franchisor, then Franchisee shall immediately pay the amount of Royalty and other fees and amounts due with respect to such understatement, plus the late fees and interest provided by this Agreement. If Franchisor conducts such an audit as a result of Franchisee's breach of this Agreement or the requirements contained in the Operating Manual, or if such an inspection reveals an understatement of the Franchised Business's Gross Revenues for any period of 3% or more, then in addition to the above-referenced fees and interest owed to Franchisor, Franchisee shall also reimburse Franchisor for all of the fees and costs incurred in conducting the inspection/audit, including without limitation: (i) wages paid by Franchisor to its employees in relation to the audit; (ii) travel expenses; (iii) postage/shipping; (iv) attorneys' fees and costs; and (v) accountant-related fees and costs. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

XI

INDEMNIFICATION AND INSURANCE

A. Indemnification by Franchisee

As an independent owner and operator of the Franchised Business, Franchisee shall, at all times, be and remain solely responsible for all demands, actions, administrative/regulatory complaints, judgments, damages, liabilities, losses, costs, and expenses (including reasonable attorney's fees and costs, even if incident to appellate, post-judgment, or bankruptcy proceedings) to which Franchisor (or Franchisor's owners, employees, attorneys, representatives, successors, and assigns) becomes subject or incurs arising from or relating to claims brought in connection with the operation of the Franchised Business, or by Franchisee's employees, customers, or any other third parties, and relating in any manner to Franchisee's ownership or operation of the Franchised Business (collectively, the "Claims").

Consequently, Franchisee shall indemnify, protect, and hold Franchisor harmless (along with Franchisor's owners, employees, attorneys, representatives, successors, and assigns) from all Claims. Franchisee's indemnity obligation will continue in full effect in perpetuity regardless of whether or not this Agreement has expired or been terminated, and regardless of whether or not joint liability has been imposed on the Parties by any applicable law.

In Franchisor's sole discretion, Franchisor may opt out of having Franchisee's attorneys represent Franchisor in defending a Claim, and in such cases, Franchisor shall have the absolute right to select and hire independent counsel of its own choosing to represent it in the Claim. If that occurs, Franchisee's indemnity obligations shall require Franchisee to timely pay for all of Franchisor's reasonable attorneys' fees and costs as they are incurred, and thus Franchisee shall have the right to review all unredacted invoices. To ensure preservation of the attorney-client privilege associated with Franchisor's attorney invoices (among other things), if Franchisor requests that Franchisee execute a joint defense agreement, Franchisee must execute such an agreement. *[For the purpose of this provision, "reasonable attorneys' fees and costs" shall take into account various factors, including: (i) the time and labor required; (ii) the skill required to perform the legal services; and (iii) the experience, reputation, and ability of the attorneys performing the legal work.]*

Franchisee shall provide written notice to Franchisor of any Claims initiated or filed against Franchisee or its owners, employees, or representatives within seven calendar days of receipt. Even in cases where a Claim has not been made against Franchisor, Franchisor shall have the right, in its sole discretion and at Franchisee's sole expense, to compel Franchisee to retain the services of attorneys acceptable to Franchisor if, in Franchisor's reasonable opinion, the applicable Claim might damage the reputation of The Rush Coffee's reputation or brand.

B. Insurance

During the Term of the Agreement, Franchisee must maintain and keep the following minimum insurance coverage from an insurance company with a Best rating of "A" or better: (i) comprehensive general liability in the amount of \$1,000,000 per occurrence and \$2,000,000 in the aggregate; (ii) automobile insurance in the amount of \$1,000,000; (iii) property insurance in an amount sufficient to replace the equipment, inventory, the vehicle(s) from which Franchisee is operating the Franchised Business, and any necessary business-related personal property upon loss or damage; (iv) theft insurance in the amount of \$25,000; (v) business interruption insurance in the amount of \$100,000; (vi) an umbrella policy in at least the amount of \$1,000,000; (vii) accidental medical coverage for Franchisee and its employees in at least the sum of \$25,000; and (viii) any other insurance required by applicable law (e.g., worker's compensation insurance). Franchisor may, in its sole discretion, revise Franchisee's insurance requirements by providing Franchisee with written notice of the updated requirements, and Franchisee shall have 60 calendar days from receiving such notice to conform to the updated insurance requirements.

All of Franchisee's insurance policies must provide for at least 30 calendar days' written notice to Franchisor before cancellation, and must name Franchisor as an additional insured. Franchisee must provide Franchisor with evidence of all required insurance at least 10 calendar days before Franchisee begins operation of the Franchised Business, and a certificate of renewal must be provided to Franchisor no later than 10 calendar days before the expiration date of each policy.

If Franchisee fails to maintain the minimum insurance coverage required in this section of the Agreement, or if Franchisee fails to produce acceptable evidence of such coverage in a timely fashion, in addition to any other remedies available to Franchisor, Franchisor may purchase any missing insurance at Franchisee's sole expense. Franchisee shall reimburse Franchisor on demand for Franchisor's costs in obtaining such missing insurance, along with a 20% surcharge based on the cost of the insurance obtained by Franchisor.

Following the expiration or termination of this Agreement, Franchisee shall continue to maintain professional liability or errors and omissions insurance and general liability insurance for a period of time not less than the maximum applicable statute of limitations in the jurisdiction in which the Franchised Business is located for any potential Claim.

XII PROPRIETARY MARKS

A. Use by Franchisee

Franchisee may use the Marks only in accordance with the standards and specifications contained in this Agreement or as Franchisor may determine from time to time, and only during the Term. Without limiting the foregoing, Franchisee agrees to all of the following:

1. Franchisee must use the Marks solely in connection with operating the Franchised Business within the Territory and in accordance with the Confidential Operating Manual, or as may be set forth in writing by Franchisor. At no time shall Franchisee permit the Marks to be used or displayed as part of the Franchised Business in conjunction with any other person or entity's proprietary marks without Franchisor's express written consent.
2. Franchisee must use the Marks as the sole identification for the Franchised Business, and Franchisee must prominently display the Marks on or in connection with all materials Franchisor designates and only in the manner prescribed by Franchisor.
3. Franchisee must never use the Marks as security for any obligation or indebtedness, nor may Franchisee ever encumber or attempt to encumber the Marks.
4. Franchisee shall not, without Franchisor's prior written consent, use any of the Marks (or any variation of the Marks): (i) as part of Franchisee's corporate or other legal names; (ii) on or as part of any website, domain name, URL, web page, electronic mail address, listing, banner, advertisement, or any other service or link on, to, or with the internet; (iii) with any prefix, suffix (including, but not limited to, the word "Inc."), or other modifying words, terms, designs, or symbols; or (iv) in any modified form. Franchisee shall not register any of the Marks (or any variation of the Marks) as a service mark or trademark, or hold out or otherwise employ the Marks to perform any activity or to incur any obligation or indebtedness that might: (a) reasonably result in making Franchisor liable to any third party; or (b) harm, tarnish, or impair Franchisor's reputation, name, services, or Marks. The provisions of this paragraph shall survive the expiration, termination, or cancellation of this Agreement.
5. Franchisee shall not permit any third party to imprint the Marks on any products, materials, documents, and supplies utilized by Franchisee in connection with the operation of the Franchised Business without first obtaining Franchisor's prior written consent and causing such third party to execute a license agreement acceptable to Franchisor.

B. Exclusive Property of Franchisor

Except for the limited license expressly granted in this Agreement, Franchisee has no ownership or other rights in or to the Marks. Franchisee's use of the Marks under this Agreement does not give Franchisee any interest, ownership or otherwise, in or to the Marks except the non-exclusive license granted in this Agreement.

Franchisee therefore acknowledges and agrees that at all times Franchisor is the sole owner of the Marks. In addition to the foregoing, Franchisee further acknowledges and agrees that:

1. Franchisor is the exclusive owner of the goodwill associated with the Marks. Any goodwill arising from Franchisee's use of the Marks in its operation of the Franchised Business, whether under the System or otherwise, shall inure solely and exclusively to Franchisor and in and for Franchisor's benefit. Upon expiration or termination of this Agreement (and the license granted under this Agreement), no monetary amount shall be assigned as having been attributable to any goodwill associated with Franchisee's use of the System or the Marks.
2. Franchisee will not directly or indirectly contest the validity of Franchisor's ownership of the Marks either during or after the Term.

C. Infringement by Franchisee

Any unauthorized use of the Marks by Franchisee shall constitute an infringement of Franchisor's rights. Both during and after the Term, Franchisee must not, directly or indirectly, infringe on the Marks, or take any action in derogation of Franchisor's rights to the Marks.

D. Infringement by Others

If Franchisee ever becomes aware of what it reasonably believes to be the unauthorized use of the Marks (or any variation of the Marks) by a third party, Franchisee shall promptly notify Franchisor in writing. Franchisor shall, in its sole discretion, determine whether or not it wishes to undertake any action against that third party as a result of that third party's alleged infringement of the Marks. If Franchisor undertakes such action, it shall have the sole authority and power of attorney to prosecute or settle such a claim or action, and in such cases, Franchisee agrees to render such assistance as Franchisor shall reasonably demand to carry out the prosecution or settlement of any such claim or action. In no event, however, shall Franchisee have any right to prosecute any claim or initiate any action relating to the alleged infringement of the Marks without Franchisor's prior written consent.

E. Claims Against the Marks By a Third Party

If Franchisee ever becomes aware of a claim or demand by a third party against Franchisor and/or Franchisee arising out of the Parties use of the Marks in accordance with this Agreement or any alleged infringement of a third party's mark, Franchisee shall promptly notify Franchisor in writing of such claim or demand. Franchisee shall have no power, right, or authority to settle or compromise any such claim by a third party without Franchisor's prior written consent.

Provided that Franchisee is in full compliance with this Agreement, Franchisor shall defend Franchisee against any third-party claim or demand against Franchisee arising out of Franchisee's use of the Marks in accordance with this Agreement, using attorneys of Franchisor's choosing. Franchisor may elect to compromise or settle any such claim, at its sole discretion. Franchisee agrees to cooperate fully with Franchisor in connection with any such defense. Franchisee irrevocably grants Franchisor authority and power of attorney to defend or settle such claims or demands.

If a third party ever demonstrates, to Franchisor's sole satisfaction, a superior right to use any of the Marks, Franchisee shall, upon demand by Franchisor, discontinue its use of such Mark(s) and adopt, at Franchisee's sole cost and expense, any Mark(s), if any, selected by Franchisor to replace such discontinued Mark(s).

F. Non-Exclusive Use

The license of the Marks granted to Franchisee is non-exclusive. In addition to Franchisor's right to use and grant others the right to use the Marks, all rights not expressly granted in this Agreement to Franchisee relating to the Marks or other matters are reserved for Franchisor, including the right to:

1. To grant other licenses for the use of the Marks, in addition to those already granted to existing franchisees and to Franchisee.
2. To develop and establish other systems and programs utilizing the same or similar Marks, or any other proprietary marks, and to grant franchises relating to the use of those marks without granting Franchisee any such rights.
3. Sell, within or outside the Territory, through various channels of distribution under any terms that Franchisor deems appropriate, products and/or services similar or identical to those authorized for the Franchised Business, using the Marks. As an example only, and not as a limitation on this reservation by Franchisor, Franchisor may offer certain products for sale via the internet, both within and outside the Territory.

G. Franchisor's Right to Modify the Marks

Franchisor has no present intention of altering any of its Marks. Franchisor recognizes, however, that rights in intangible property such as the Marks are often difficult to establish and defend and that changes in the cultural, economic, and geographic environment within which the System operates may make changes in one or more of the Marks desirable or necessary. Franchisor therefore reserves the right, in its sole discretion, to change any of its Marks and the specifications for each when Franchisor believes that it will be beneficial to the brand to do so. Franchisee agrees that it will promptly conform, at its own expense, to any such changes within thirty calendar days of Franchisor's request.

XIII

CONFIDENTIAL OPERATING MANUAL

A. Business Operations

To protect the System, as well as to ensure the maintenance of uniform standards of operation under the Marks, Franchisee shall conduct the Franchised Business in accordance with the requirements of the Operating Manual, which may be revised from time to time in Franchisor's sole discretion. The provisions set forth below relating to the Operating Manual shall survive the expiration, termination, or cancellation of this Agreement.

B. Confidentiality

In addition to any other restrictions to Franchisor's confidential information contained in this Agreement, Franchisee further agrees that it shall at all times treat the Operating Manual (as well as any other manuals created for or approved for use by Franchisor in the operation of the Franchised Business) as confidential. Franchisee acknowledges and agrees that the contents of the Operating Manual constitute a trade secret (which, together with other trade secrets and confidential information whether designated specifically as confidential or not, is collectively referred to in this Agreement as the "Confidential Information"). In recognition of this acknowledgment by Franchisee, Franchisee expressly agrees that it shall not at any time copy, duplicate, record,

divulge, or otherwise communicate the contents of the Operating Manual (or, as is stated below, any of the Confidential Information) for the benefit of any other person or entity.

Franchisee shall divulge the information contained in the Operating Manual only to those of its employees or independent contractors who must have access to the information to operate the Franchised Business. Prior to providing such individuals access to the information contained in the Operating Manual, Franchisee shall obtain that individual's express written acknowledgement and agreement to be bound by the confidentiality requirements established in this provision in a form acceptable to Franchisor (which shall also grant Franchisor an independent right of action against such an individual in the event of a breach), and shall deliver that acknowledgment/agreement to Franchisor prior to permitting such access to that individual.

Franchisee shall immediately notify Franchisor in writing of any instance discovered by Franchisee of unauthorized persons or entities obtaining access to the Operating Manual.

The Operating Manual shall at all times remain Franchisor's exclusive property. Franchisee's possession of and use of the Operating Manual shall at all times be deemed a loan from Franchisor to Franchisee, which may upon any breach or termination of this Agreement, be revoked by Franchisor.

C. Modification

Franchisor may from time to time, and in its sole discretion, revise the Operating Manual. If that occurs, Franchisee agrees to comply with each new or modified standard and each such addition and modification shall be deemed part of the Operating Manual. To the extent that compliance with any revisions to the Operating Manual carries with it additional costs/expenses, those shall be borne solely by Franchisee. In no event, however, shall any such revisions fundamentally alter Franchisee's status or rights under this Agreement.

XIV CONFIDENTIAL INFORMATION

A. Use of Confidential Information

Franchisee may use the Confidential Information only during the Term of this Agreement and only in compliance with the requirements contained in this Agreement.

As with the restrictions set forth in the prior section relating to both the Operating Manual and other materials constituting Franchisor's Confidential Information, Franchisee must at all times treat the Confidential Information as strictly confidential. In recognition of this acknowledgment by Franchisee, Franchisee expressly agrees that it shall not at any time copy, duplicate, record, divulge, or otherwise communicate the contents of the Confidential Information including, or use of Confidential Information, to or for the benefit of any other person or entity.

The Confidential Information shall at all times remain Franchisor's exclusive property. Franchisee's possession of and use of the Confidential Information shall at all times be deemed a loan from Franchisor to Franchisee, which may upon any breach or termination of this Agreement, be revoked by Franchisor.

B. Use of and Improvement to the System

As Franchisor develops and improves the System, Franchisor will disseminate such information to all of its franchisees. In return, and in consideration of that fact, Franchisee agrees that any idea or suggested innovations or variations that may tend to enhance or improve the System that Franchisee develops, discovers, or otherwise becomes aware of during the Term of this Agreement shall be submitted to Franchisor for its evaluation for

adoption and use. Franchisee further agrees that all proprietary rights to such ideas, innovations, improvements, enhancements, or variations created or acquired by Franchisee, or any of its employees, shall be owned exclusively by Franchisor, and may be made available to all The Rush Coffee franchisees and licensees.

C. Remedies

Franchisee acknowledges that any failure to comply with the confidentiality provisions of this Agreement will cause Franchisor irreparable injury. Franchisee therefore agrees that in any breach by Franchisee of any of the confidentiality provisions of this Agreement, Franchisor shall not only be entitled to its attorneys' fees and costs upon prevailing, but Franchisor shall also be entitled to seek injunctive relief without the necessity of posting a bond.

D. Preservation of Confidentiality

Franchisee shall divulge the Confidential Information only to those of its employees or independent contractors who must have access to the information to operate the Franchised Business. Prior to providing such individuals access to the Confidential Information, Franchisee shall obtain that individual's express written acknowledgement and agreement to be bound by the confidentiality requirements established in this provision in a form acceptable to Franchisor (which shall also grant Franchisor an independent right of action against such an individual in the event of a breach), and shall deliver that acknowledgment/agreement to Franchisor prior to permitting such access to that individual.

XV ADVERTISING

A. Advertising—Generally

While Franchisee is free to engage in its own advertising, it may only do so subject to the limitations contained in this section of the Agreement, and at its own expense. While Franchisor may provide marketing consultation, general advertising strategy, promotional planning, and budgeting to Franchisee from time to time, Franchisor shall at no time be obligated to conduct advertising or spend any amount of money on advertising in Franchisee's Territory, or otherwise.

B. Franchisee's Advertising

In addition to complying with the System Standards, all of Franchisee's Franchised Business-related advertising—regardless of the medium, and including Social Media—must be professional, accurate, and in conformity with: (i) all applicable laws and regulations relating to consumer advertising; (ii) the Operating Manual and System Standards; and (iii) standards or requirements Franchisor may establish from time to time.

The term "advertising" shall be interpreted broadly to include any display of the Marks or any item intended to attract customers to the Franchised Business. At Franchisor's request and in its sole discretion, Franchisee will promptly modify, take-down, remove from publication, and/or discontinue any advertising (including but not limited to the below-defined Social Media material/posts) that Franchisor directs. At all times, Franchisee shall display the Marks in the manner prescribed by Franchisor on all signs and all other advertising and promotional materials used in connection with the Franchised Business.

With the exception of Social Media, which is addressed in more detail below, all advertising containing the Marks must be submitted to Franchisor for approval prior to implementation. Once Franchisee submits proposed

advertising to Franchisor, it will have 15 calendar days to review the advertising, and within that time frame, Franchisor will provide Franchisee with written approval or denial of the advertising materials. Once Franchisor has approved a particular item of advertising, Franchisee will not be obligated to obtain further permission to continue using such advertising in the future.

C. Web Sites

With the exception of approved Social Media, Franchisee may not establish or maintain a domain name, an internet website, or webpage that relates to or advertises the Franchised Business or displays the Marks. Franchisor, in fact, reserves for itself the exclusive right, but not the obligation, to create or maintain any websites or web pages concerning or displaying The Rush Coffee franchises or the Marks.

D. Social Media

As is set forth more particularly below, Franchisee is obligated to advertise and promote the Franchised Business via websites and applications that enable users to create and share content or participate in social networking ("Social Media").

Once Franchisee commences operations of the Franchised Business, Franchisee must publish at least one post per week to both Instagram and Facebook for the purpose of advertising the Franchised Business. Although the posting requirement applies only upon commencement of operations, Franchisor encourages Franchisee to develop and institute a Social Media advertising campaign prior to that time.

Notwithstanding the prior submission requirements contained above, Franchisee is not obligated to submit its Social Media posts to Franchisor for review or approval. If, however, Franchisor requests that Franchisee revise or remove any Social Media posting, Franchisee must do so immediately.

At all times, Franchisee must grant Franchisor administrator access to all Social Media promoting the Franchised Business or containing the Marks.

E. Intellectual Property Rights to Advertising

Franchisee acknowledges and agrees that Franchisor shall be the sole owner of all intellectual property rights of all advertising (including Social Media) related to the Franchised Business or containing the Marks, whether created or implemented by Franchisee or otherwise. Franchisee shall have a license to utilize such intellectual property only during the Term of this Agreement.

Franchisee agrees to execute any documents (and, if necessary, require its independent contractors to execute such documents) as Franchisor may from time to time deem necessary to give effect to this provision. Any advertising, marketing, promotional, public relations, or sales concepts, plans, programs, activities, or materials proposed or developed by Franchisee for the Franchised Business or the System and approved by Franchisor may be used by Franchisor and other franchisees of Franchisor without any compensation to Franchisee.

F. Grand Opening

Franchisee acknowledges that Franchisor recommends that Franchisee spends at between \$100 and \$250 on grand opening advertising and promotion before opening the Franchised Business and/or during the first three months of operation. Franchisee may choose to spend more.

TRANSFER OF INTEREST

A. Transfer by Franchisor

Franchisor may, in its sole discretion, and without the consent of Franchisee, transfer or delegate any or all of its rights and/or obligations under this Agreement to any person or entity. If Franchisor's transferee or delegate assumes Franchisor's obligations under this Agreement, within seven business days of Franchisor's delivery of notice of such transfer to Franchisee, Franchisee must execute and deliver to Franchisor a written general release of Franchisor.

Franchisor may also transfer its stock, engage in public and private securities offerings, merge, consolidate, reorganize, acquire other businesses, sell all or substantially all of its assets, borrow money (with or without providing collateral), and otherwise deal in its assets or operate its business in such manner as Franchisor desires, all without Franchisee's consent.

B. Transfer by Franchisee (Other Than to a Controlled Entity)

With respect to the transfer by Franchisee of the Franchised Business, Franchisee, and/or any individuals who own or control the Franchised Business or Franchisee, the Parties agree as follows: *[As used in this provision of the Agreement, the un-capitalized term "transfer" shall mean and refer to a direct or indirect sale, assignment, conveyance, transfer, pledge, mortgage, or encumbrance of all or a substantial portion of the assets of the Franchised Business, Franchisee, or of any entity that owns an interest in the Franchised Business.]*

1. Franchisee acknowledges and agrees that the rights and duties set forth in this Agreement are personal to Franchisee. Franchisor has granted the Franchised Business to Franchisee in reliance upon Franchisee's business skills, financial capacity, reputation, aptitude, and/or personal character. Accordingly, Franchisee and its owners may not directly or indirectly transfer, sell, assign, convey, pledge, encumber, mortgage, or otherwise dispose of—voluntarily, involuntarily, or by operation of law—any direct or indirect interest in this Agreement or the Franchised Business without Franchisor's prior written consent. Franchisor shall not, however, unreasonably withhold its consent to a transfer of any interest in Franchisee provided that Franchisee (and any other involved individuals or entities) strictly comply with the conditions set forth in this provision of the Agreement.
2. Any purported or attempted transfer by Franchisee, by operation of law or otherwise, in violation of this Agreement shall be null and void. Such a transfer shall also constitute a material breach of this Agreement, for which Franchisor may elect to terminate without any opportunity to cure. Notwithstanding anything in this Agreement to the contrary, no transfer may be made to any person or entity who directly or indirectly engages in a business that is competitive with, or is substantially similar to, the business conducted by the Franchised Business, or who directly or indirectly owns an interest in any such competing business.
3. Franchisee has satisfied all of its obligations, monetary or otherwise, to Franchisor and any third parties.
4. Franchisee executes a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its officers, directors, shareholders, attorneys, and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances.

5. The transferor's right to receive compensation pursuant to any agreement for the purchase of any interest in Franchisee or in the Franchised Business shall be subordinated and secondary to Franchisor's rights to receive any outstanding monetary obligations or other outstanding obligations due from the transferor or Franchisee pursuant to this Agreement, whether arising before or after the transfer.
6. The transferee franchisee shall enter into a written assumption, in a form satisfactory to Franchisor, assuming and agreeing to discharge all of Franchisee's obligations under this Agreement prior to and after the date of the assumption.
7. The transferee shall demonstrate to Franchisor's satisfaction that it: (a) meets Franchisor's educational, managerial, and business standards; (b) possesses a good moral character, business reputation, and credit rating; (c) has the aptitude and ability to conduct the Franchised Business; and (d) has adequate financial resources to operate the Franchised Business.
8. The transferee shall execute the standard form franchise agreement then being offered by Franchisor (as well as any ancillary agreements as Franchisor may require including, without limitation, individual joint and several guaranties by each and every owner (direct and indirect) of the transferee), which when executed, will supersede and replace this Agreement.
9. At the transferee's or Franchisee's expense, and upon such other terms and conditions as Franchisor may reasonably require, the transferee, its Designated Manager, and other persons that Franchisor requests, successfully completes Franchisor's training requirements then in effect for franchisees.
10. Any right of Franchisee to any payments from the transferee resulting from the transfer shall be subordinate to any of Franchisor's claims or rights against either or both the Franchisee and/or the transferee (and, at Franchisor's option, either or both the Franchisee and/or transferee must execute any documents reasonably requested by Franchisor to evidence or acknowledge such liability).
11. Either Franchisee or the transferee shall pay Franchisor a transfer fee of \$4,000, plus Franchisor's attorneys' fees and costs incurred in reviewing and approving the terms and conditions of the transfer.
12. Either Franchisee or the transferee shall, at their own expense, upgrade the Site to conform to the then-current System Standards.
13. If a transfer occurs in violation of the requirements set forth above, and notwithstanding the fact that such a violation should have precluded the completion of the transfer under the express terms of this Agreement, the failure of any individual shareholder, member, partner or owner of a transferee to obtain the above-referenced signatures from the transferee's other shareholders, members, partners or owners shall result in the personal liability of the transferor Franchisee, as well as the individual who executed the assignment on behalf of the transferee.
14. Franchisee shall remain liable for all of its obligations under this Agreement prior to the effective date of the transfer, and Franchisee therefore agrees to execute and/or obtain any documents which Franchisor may require to ensure compliance with the requirements set forth in this section.
15. Franchisor's consent to a proposed transfer shall not constitute an opinion by Franchisor concerning the appropriateness or fairness of the terms of the transfer, or the likelihood of the transferee's (or Franchisee's) future success.

16. Franchisee releases and indemnifies Franchisor from any claims or liabilities stemming from a denial by Franchisor of a proposed transfer, including without limitation, if the denial resulted from a failure by Franchisee or the transferee to abide by all of the requirements set forth in this section.

17. Franchisor's consent to a transfer does not constitute a waiver by Franchisor of any claims it may have against Franchisee for any breach of this Agreement, either before or after the consent was given.

18. Subject to the limitations set forth below, all transfers are subject to Franchisor's right of first refusal.

C. Transfer By Franchisee to a Controlled Entity

Notwithstanding the foregoing, Franchisee shall not be obligated to obtain Franchisor's consent to a transfer or pay a transfer fee if all of the following are and remain true during the Term of the Agreement:

1. Franchisee is an individual who is transferring his or her interest in the Franchised Business to a wholly-owned entity, provided that all voting and ownership interest in that entity will at all times be, and remain, owned by the original (individual) Franchisee.
2. The entity's governing documents (e.g., articles of organization, bylaws, partnership agreement, shareholder/operating agreement, etc.) shall provide (or be amended to provide) that its activities are confined exclusively to operating the Franchised Business (or one or more additional The Rush Coffee franchises).
3. Prior to the transfer, transferee shall, in Franchisor's sole discretion, either complete Exhibit 1 or otherwise submit to Franchisor the information contained in Exhibit 1, which provides information regarding the entity's owners (e.g., members, shareholders, partners, managers, etc.). If any subsequent changes in such information occurs, Franchisee/transferee will notify Franchisor in writing within seven calendar days of the change.
4. The transferee entity shall select a Designated Manager in compliance with this Agreement.
5. All shareholders, members (or in the case of a manager-manager LLC, the managing members), and partners of the transferee/Franchisee shall enter into an agreement, in a form satisfactory to Franchisor, unconditionally guaranteeing the full payment and performance of the entity's obligations to Franchisor.
6. Each ownership certificate of the transferee entity, if any, shall have conspicuously endorsed upon its face the following legend:

"The transfer, sale, or pledge of these shares is subject to the terms and conditions of a Franchise Agreement with The Rush Coffee Franchise Group LLC dated _____."
7. Copies of the transferee/Franchisee entity's articles of incorporation/organization, bylaws, partnership agreement, operating agreement, shareholder agreement, and other governing documents, as well as a signed resolution authorizing the execution of this Agreement, shall be furnished to Franchisor for its approval.
8. The transferee entity's name shall not consist of or contain the Marks or any colorable variation of the Marks.

D. The Right of Franchisee's Heirs Upon Death or Disability of Franchisee

Within 30 calendar days from Franchisee's or its principal's death or permanent incapacity (the latter being defined as a disability for three consecutive months during which Franchisee is unable to perform its obligations under this Agreement), Franchisee's trustee(s), representative(s), or executor(s) must either: (i) satisfy Franchisor that a spouse, family member, or other heir is willing, competent, and capable of taking over for Franchisee; or (ii) agree to transfer the Franchised Business in accordance with the terms set forth above.

If the latter (i.e., option "ii") comes into play, Franchisee's trustee(s), representative(s), or executor(s) shall have an additional 120 calendar days to effectuate the transfer. If the transfer is not completed within the requisite 120 calendar days described in option "ii" above, then Franchisor may, in its sole discretion, terminate this Agreement, at which time all rights granted to Franchisee under this Agreement shall revert to Franchisor. During the above-referenced time periods (i.e., the first 30 days, and the subsequent 120 days), if there is no current Designated Manager already in place, Franchisor shall have the right, in its sole discretion, to step in and take over operation of the Franchised Business on behalf of Franchisee's trustee(s), representative(s), or executor(s) in the manner and under the conditions described elsewhere in this Agreement.

If option "i" above comes into play—i.e., Franchisee's trustee(s), representative(s), or executor(s) present a spouse, family member, or heir to take over as the new Franchisee and Franchisor is satisfied with that individual's capabilities—no transfer fee will be assessed and the transfer will not trigger Franchisor's right of first refusal described below, although Franchisee's estate shall be obligated to Franchisor for its attorneys' fees and costs incurred in addressing the transfer. If there is no current Designated Manager already in place, Franchisor shall have the right, in its sole discretion, to step in and take over operation of the Franchised Business on behalf of Franchisee's trustee(s), representative(s), or executor(s) in the manner and under the conditions described elsewhere in this Agreement until a new individual has been selected and successfully trained as the new Designated Manager.

E. Franchisor's Right of First Refusal

Subject to the limitations set forth elsewhere in this section, the Parties agree that Franchisor shall at all times have a right of first refusal on any bona fide offer by a prospective purchaser (i.e., prospective transferee) to purchase the Franchised Business under the following conditions:

1. Upon receipt of a bona fide offer by the prospective purchaser/transferee, Franchisee shall prepare the details of the offer in writing and provide them to Franchisor. The written notification to Franchisor must contain identical terms as the offer presented by the prospective purchaser/transferee, as well as the prospective purchaser's/transferee's name, address, telephone number, and other pertinent contact information. In addition to the foregoing, the written notification by Franchisee must also include Franchisor's then-current form of franchise application completed by the prospective purchaser/transferee.
2. Upon receipt of Franchisee's written notification, Franchisor shall have 30 business days to consider and accept the offer by sending written notification to Franchisee of Franchisor's intent to exercise its right of first refusal by meeting the terms of the prospective purchaser's/transferee's offer. If Franchisor does not send Franchisor's acceptance within the requisite 30 business day period, then subject to the other transfer requirements set forth above, Franchisee may conclude the sale/transfer to the prospective purchaser/transferee.
3. If Franchisor exercises its right of first refusal, the closing shall occur within 90 calendar days of Franchisor's acceptance. If Franchisor chooses not to exercise its right of first refusal, then Franchisee

must conclude the sale within 90 calendar days of Franchisor's rejection, or within 90 calendar days of the expiration of Franchisor's 30-day notice rights, whichever occurs first.

XVII DEFAULT AND TERMINATION

A. Termination by Franchisor Without Notice or Right to Cure

Subject to applicable law, upon the occurrence of any of the following events, Franchisor may immediately terminate this Agreement without notice to Franchisee and without prejudice to any of its other rights or remedies, in law or equity:

1. Franchisee becomes insolvent, makes a general assignment for the benefit of creditors, files a petition in bankruptcy (or involuntarily has such a petition filed against it) and the petition is not dismissed within 60 calendar days, and/or is otherwise adjudicated as bankrupt.
2. A bill in equity or any proceeding for the appointment of a receiver or other custodian over the Franchised Business or the assets of Franchisee which is not dismissed within 45 calendar days.
3. A final judgment in excess of \$10,000 remains unsatisfied or of record for 30 calendar days or longer (unless a supersedeas bond is filed and/or a stay on enforcement is in effect).
4. A writ of execution is levied against Franchisee's operation, assets, or property, or suit to foreclose any lien or mortgage against the Franchised Business is instituted against Franchisee and not dismissed within 45 calendar days.
5. Franchisor reasonably determines that Franchisee's operation of the Franchised Business constitutes an imminent threat to the health and safety of the public that cannot reasonably be cured in a timely fashion.
6. Franchisee, its owners, or a Designated Manager is convicted of a felony, a crime of moral turpitude, or any other crime, regardless of whether it affects Franchisee's ability to operate the Franchised Business, which in Franchisor's reasonable discretion, is likely to impair and/or damage the goodwill or reputation of Franchisor, the System, or the Marks.

B. Termination by Franchisor After Notice, But with No Right to Cure

Upon the occurrence of any of the following events, Franchisor may immediately terminate this Agreement by providing Franchisee with written notice, but no right to cure:

1. Franchisee abandons the Franchised Business by failing to operate it for at least seven consecutive calendar days.
2. Franchisee fails to timely secure a Site or commence operations of the Franchised Agreement within the time limits and under the conditions required under this Agreement.
3. Franchisee either loses the right to conduct business at the Site (i.e., the vehicle is seized by a creditor and not returned within seven calendar days), or otherwise forfeits the right to do or transact business in the Territory where the Franchised Business operates and such forfeiture results from circumstances

beyond the control of Franchisee, does not arise from any action taken or failure to act by Franchisee, nor from any failure by Franchisee to cure or correct the circumstances that led to such forfeiture.

4. The Franchised Business is seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor and such seizure/foreclosure is not reversed within seven calendar days.

5. Franchisee repeatedly fails to comply with one or more requirements under this Agreement, whether or not corrected after notice, or Franchisee, after curing a default under this Agreement, engages in the same non-compliant conduct on two or more additional occasions.

6. Franchisee attempts or purports to make a transfer without abiding by requirements set forth in the transfer section of this Agreement.

7. Franchisee breaches any provision of this Agreement concerning use of the Confidential Information or Franchisor's other trade secrets.

8. Franchisee fails to successfully satisfy all of the training obligations required under this Agreement.

9. Franchisee directly or indirectly violates its non-competition or non-circumvention obligations as set forth in this Agreement.

10. Franchisee fails to obtain and deliver to Franchisor obtain and deliver to Franchisor executed Restrictive Covenant Agreements from the required individuals (enumerated below).

11. Franchisee provides, offers, or sells any Permitted Products and Services at or from a location that is within the franchise territory of another The Rush Coffee franchise (except as expressly stated in this Agreement, the Operating Manual, or any other written agreement between Franchisor and Franchisee), or otherwise infringes upon rights granted by Franchisor under franchise agreements with other franchisees of Franchisor.

12. Franchisee knowingly maintains false books or records, knowingly submits any false reports (including, but not limited to, the information provided as part of Franchisee's application for this franchise) to Franchisor, or understates its Gross Revenues reported to Franchisor by more than 5% during any given 180-day period.

13. Franchisee fails on two or more separate occasions within any 12 consecutive month period to submit: (a) reports, information, or records when due; (b) Royalty Fees or other fees and payments when due; or (c) breaches the terms of this Agreement on three or more occasions, whether or not such defaults or failures were corrected after notice or demand, and regardless of whether or not such a defaults or failures would otherwise be curable.

14. Franchisee refuses to allow or cooperate with an inspection or audit of the Franchised Business following written demand by Franchisor.

15. Franchisee fails to achieve or exceed System or Performance Standards in two inspections conducted in any 24 month period.

16. Franchisee engages in non-criminal conduct which materially threatens the reputation or goodwill associated with the System or Franchisor.

C. Termination by Franchisor After Notice and Right to Cure

Upon the occurrence of any breach of this Agreement, including any of the following events, Franchisor may terminate this Agreement if, after Franchisor's delivery of a written notice to cure to Franchisee, Franchisee fails to cure the default within 30 calendar days, or within fewer days if explicitly specified, from the date of the notice to cure. To the extent a cure is required or permitted under this Agreement, Franchisee shall have the burden of proving it properly and timely cured any default:

1. Franchisee fails to tender any amounts due to Franchisor under this Agreement within 10 calendar days after Franchisor provides written notice to Franchisee of the breach.
2. Franchisee fails to tender any amounts due to any The Rush Coffee approved or designated vendor or supplier within 10 calendar days after Franchisor provides written notice to Franchisee of the breach.
3. Franchisee fails, for a period of 10 calendar days after receipt of notification of non-compliance, to comply with any federal, state, or local law, regulation, or ordinance applicable to the operation of the Franchised Business.
4. Franchisee fails to obtain and/or maintain insurance as required in this Agreement.
5. Franchisee fails to operate the Franchised Business in full compliance with the terms of this Agreement, the Operating Manual, or the System Standards within seven calendar days' notice from Franchisor.
6. Absent written consent from Franchisor, Franchisee provides, offers, or sells products or services other than the Permitted Products and Services, and/or Franchisee fails to provide, offer, or sell any one, some, or all of the Permitted Products and Services.
7. If Franchisees fail to participate in a promotional campaign, discount/gift card program, or honor a coupon in accordance with standard established by Franchisor within five calendar days' notice from Franchisor.

D. Franchisor's Right to Operate After Death, Disability, or Event of Default

The Parties acknowledge and agree that it is imperative that the Franchised Business be operated without any interruption and in a manner that will not cause harm to the System. To ensure such continued operation, upon the occurrence of the death or disability of the Franchisee, or upon the occurrence of an event of default set forth in this section of the Agreement, Franchisee authorizes Franchisor to operate the Franchised Business in Franchisee's place for as long as is reasonably necessary and practicable without waiver of any other rights or remedies Franchisor may have under this Agreement.

All proceeds from the operation of the Franchised Business during such period of operation by Franchisor shall be separately accounted for, and the expenses of the Franchised Business, including an administrative fee of 15% of the Gross Revenue earned during Franchisor's operation of the Franchised Business (for overhead, travel costs, etc.), plus reasonable compensation and expenses for Franchisor's representative(s), shall be charged against proceeds.

If at any time during the Term, Franchisor temporarily steps in to operate the Franchised Business as provided in this provision, Franchisee agrees to hold harmless and fully indemnify Franchisor and any of Franchisor's representative(s) from any claims, losses, actions, or damages that may arise.

Franchisor's operation of the Franchised Business will not operate as an assignment to Franchisor of any lease or sublease of the Franchised Business's property, nor will Franchisor have any responsibility for payment of any rent or other charges owing on any lease for Franchisee's property except as the charges relate to the period of Franchisor's operation of the Franchised Business.

In addition to administrative fee and other reimbursements referenced above, Franchisor will also deduct from the Gross Revenue its legal and accounting fees and costs incurred as a result of Franchisor's temporary operation of the Franchised Business.

E. Liability for Default

If Franchisee fails to cure any default within the applicable time period set forth in this Agreement, Franchisee shall pay all damages, costs, and expenses incurred by Franchisor as a result of any such default, including, but not limited to, reasonable attorneys' and accounting fees. This provision shall apply regardless of whether or not Franchisor exercises its right to terminate this Agreement or initiate legal proceedings against Franchisee.

F. No Waiver

The description of any default in any notice served upon Franchisee shall in no way preclude Franchisor from specifying additional or supplemental defaults in any action, arbitration, hearing, or suit relating to this Agreement or its termination.

G. Enforcement

Franchisee agrees and acknowledges that Franchisor's decision to enforce or not to enforce compliance with its rules and regulations by other franchisees shall not affect Franchisor's right to enforce such rules and regulations against Franchisee, even under similar circumstances.

H. Termination by Franchisee

Franchisee may terminate this Agreement if Franchisor materially breaches a provision of this Agreement and fails to cure such a default within 30 calendar days of written notice from Franchisee.

XVIII OBLIGATIONS UPON TERMINATION

Upon the expiration or termination of this Agreement, all rights granted under this Agreement to Franchisee shall terminate immediately. The provisions of this section of the Agreement are intended to, among other things, permit Franchisor, if Franchisor so chooses, to take over and continue to operate the Franchised Business under its ownership immediately and without any interruption. Franchisee, therefore, agrees to all of the following:

1. Franchisee must immediately cease operating the Franchised Business. This means that after termination, Franchisee must not, directly or indirectly: (a) use any of the Marks (including stationery, advertising, signage, etc.); (b) represent itself to the public as a present or former franchisee of

Franchisor; or (c) in any other way affiliate itself with the System or the Marks. Franchisee acknowledges and agrees that the foregoing provision is self-executing and does not require Franchisee to execute or deliver any further document or instrument to effect or evidence Franchisor's exclusive right in and to the System or the Marks.

2. Franchisee must immediately and permanently cease to use, by advertising or in any manner whatsoever, any equipment, materials, confidential methods, procedures, or techniques associated with the System.

3. If Franchisee continues to operate, or subsequently begins to operate, any other business, Franchisee may not, in connection with such business or its promotion, use any reproduction or colorable imitation of the Marks or System, or imitate any methods of operation, undertake any other conduct that is likely to cause confusion, mistake, or deception, or that is likely to dilute Franchisor's rights in and to the System of the Marks. Moreover, Franchisee must not use any designation of origin, description, or representation that falsely suggests or represents an association or connection with Franchisor. Any such action undertaken by Franchisee shall be considered unfair competition within the meaning of the law.

4. Within seven calendar days of termination or expiration of this Agreement, Franchisee shall return all copies of the Confidential Information (e.g., the Operating Manual), as well as all Computer Systems, advertising materials, or trade secrets related in any way to the Franchised Business. Franchisee acknowledges that all such materials belong solely to Franchisor, and thus Franchisee shall not retain any copies of the foregoing materials.

5. Franchisee shall, at Franchisor's option, assign to Franchisor (or Franchisor's designee) all of Franchisee's rights, title, and interest in and to the following: (i) telephone numbers associated with the Franchised Business; (ii) web sites, web pages, listings, banners, URLs, advertisements, or any other services and links related to the Franchised Business; and/or (iii) Social Media used in marketing the Franchised Business.

6. Franchisee shall, at Franchisor's option (to be exercised within 30 calendar days after termination/expiration), sell to Franchisor any or all of the furnishings, equipment, signs, truck and/or trailer, fixtures, supplies, or inventory of Franchisee related to the operation of the Franchised Business. The price for the foregoing items shall be limited to each item's depreciated book value.

7. Within 15 calendar days of termination/expiration, Franchisee shall take such action as may be necessary to cancel any fictitious names or equivalent registrations that contain the Marks or were associated with the Franchised Business. During that same time period, Franchisee shall also provide Franchisor with written documentation satisfactory to Franchisor of Franchisee's compliance with this obligation.

8. Franchisee shall pay all sums due and owing to Franchisor, including without limitation, any unpaid Royalty Fees.

9. Following the expiration or termination of this Agreement, Franchisee shall continue to maintain professional liability or errors and omissions insurance and general liability insurance for the maximum applicable statute of limitations for any potential Claim in the jurisdiction in which the Franchised Business is located.

10. Franchisee irrevocably appoints Franchisor as the true and lawful attorney-in-fact and agent for Franchisee to carry out Franchisee's obligations under this section. Franchisee agrees to promptly

execute, acknowledge, and deliver to Franchisor any and all such documents as may be required to carry out Franchisee's obligations under this Agreement, including this provision.

The provisions of this sub-section shall survive the expiration, termination, or cancellation of this Agreement.

XIX INDEPENDENT COVENANTS OF FRANCHISEE

A. Management of Franchise

Franchisee covenants that during the Term of this Agreement, except as otherwise approved in writing by Franchisor, the Franchised Business shall at all times be under the direct supervision of Franchisee or the Designated Manager, who shall devote his or her full time, energy, and best efforts to the day-to-day management and operation of the Franchised Business.

B. Non-Competition and Non-Circumvention During the Term

Franchisee acknowledges that Franchisee will receive valuable specialized training and Confidential Information from Franchisor regarding the System, including without limitation, information and training relating to the: (i) design, development, and operation of the Franchised Business; (ii) promotion and marketing of the System. Franchisee further acknowledges that Franchisor would be unable to protect the Confidential Information and other trade secrets against unauthorized use or disclosure, and would therefore be unable to encourage a free exchange of ideas and information among the franchisees within the System, if franchisees were permitted to hold interests in any competitive business, or otherwise circumvent the efforts of Franchisor or other franchisees.

Franchisee therefore covenants and agrees that unless otherwise approved in writing by Franchisor, during the Term of this Agreement:

1. Franchisee shall not, directly or indirectly, divert any business or customer of the Franchised Business or of any other of Franchisor's franchisees, to any competitor, nor do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.
2. Franchisee shall not compete directly or indirectly—either as an employee, owner, manager, shareholder, member, or partner, or through any of the same—with Franchisor or any of Franchisor's other franchisees within the Territory or the territories of other existing franchisees, in any business that primarily offers/sells coffee, espresso drinks, smoothies, sodas, teas, shaved ice, other beverages, baked goods, and desserts, or any other products or services that are offered in the Franchised Business.

C. Non-Competition and Non-Circumvention Following Expiration/Termination

In making the same acknowledgements as were set forth in the prior sub-section, Franchisee further covenants and agrees that unless otherwise approved in writing by Franchisor, upon the transfer, expiration, or termination of this Agreement, and for a period of two years after such transfer, expiration, or termination:

1. Franchisee shall not, directly or indirectly, divert any business or customer of the Franchised Business or of any other of Franchisor's franchisees, to any competitor, nor do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

2. Franchisee shall not compete directly or indirectly—either as an employee, owner, manager, shareholder, member, or partner, or through any of the same—within 25 air miles of Franchisor or any of Franchisor’s other franchisees, in any business that primarily offers/sells coffee, espresso drinks, smoothies, sodas, teas, shaved ice, other beverages, baked goods, and desserts, or any other products or services that are offered in the Franchised Business.

3. Franchisee acknowledges and agrees that the non-competition activities prohibited in this sub-section, including the length of the term and the extent of the geographic restrictions, are necessary, fair, and reasonable to protect Franchisor’s legitimate business interests, and do not therefore constitute overreaching, duress, or coercion on Franchisor’s part. Franchisee further acknowledges and agrees that Franchisee’s full, uninhibited, and faithful observance of each of the covenants contained in this Agreement, including the non-compete provisions will not cause any undue hardship, financial or otherwise. Likewise, Franchisee acknowledges and agrees that enforcement by Franchisor of these covenants will not impair Franchisee’s ability to obtain employment commensurate with Franchisee’s abilities and on terms fully acceptable to Franchisee, or otherwise to obtain income required for Franchisee’s support (or the support of the individual members, shareholders, and partners of Franchisee, if applicable). Franchisee’s special knowledge of the Franchised Business is such as would cause Franchisor and its other franchisees serious injury and loss if it (or anyone acquiring such knowledge through Franchisee) were to use such knowledge to the benefit of a competitor or were to directly compete with Franchisor or any of its franchisees.

The Parties intend that the covenants contained in this particular sub-section be treated as a series of separate covenants, one for the geographic limitation generally, and one for each month of the two years identified as the non-competition period.

If, therefore, in any judicial proceeding, a court refuses to enforce all of the separate covenants set forth in this section, then such unenforceable covenants shall be deemed eliminated from the provisions of this Agreement for the purpose of such proceeding to the extent necessary to permit the remaining separate covenants to be enforced. Likewise, if in any judicial proceeding, a court shall refuse to enforce any one or more of such separate covenants because the total time or mileage identified above is deemed to be excessive or unreasonable, then it is the intent of the Parties that such covenants—which would otherwise be unenforceable as a result of the court’s ruling as to the unreasonableness of the period of time or mileage—be enforced for such lesser period of time or mileage as the court deems reasonable.

The provisions of this sub-section shall survive the expiration, termination, or cancellation of this Agreement.

D. Exclusion for Publicly Traded Company

This sub-section shall not apply to Franchisee’s ownership of less than 5% of the outstanding equity securities of any corporation that is registered under the Securities and Exchange Act of 1934.

E. Reduction of Covenants by Franchisor

Franchisee acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement without Franchisee’s consent. Such reduction shall be effective immediately upon receipt by Franchisee of written notice from Franchisor, and Franchisee agrees that it shall comply from that time forward with any covenant so modified.

F. Claims Against Franchisor No Defense

Franchisee expressly agrees that the existence of any claims or offsets that it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of any of the provisions or covenants contained in this Agreement.

G. Injunctive Relief

Franchisee acknowledges that its violation of the terms of this section would result in irreparable injury to Franchisor for which no adequate remedy at law may be available. Consequently, Franchisee agrees that Franchisor shall be entitled to injunctive relief without the necessity of posting a bond, and that Franchisee shall reimburse Franchisor all of its attorneys' fees and costs incurred in seeking and enforcing the injunctive relief.

H. Execution of Covenants by Key Personnel

Upon Franchisor's written request, Franchisee shall provide Franchisor with executed Restrictive Covenant Agreements (see Exhibit D), containing covenants similar in substance to those set forth in this sub-section (including covenants applicable upon the termination of a person's relationship with Franchisee), from each manager, officer, director, and owner of Franchisee.

With respect to each person who becomes associated with Franchisee in one of the capacities enumerated above subsequent to the execution of this Agreement, Franchisee shall, on its own accord, obtain signed Restricted Covenant Agreements from each such person and promptly provide Franchisor with executed copies.

In no event shall any person enumerated above be granted access to any Confidential Information or trade secrets related to the System or the Franchised Business prior to his or her execution of such a covenant.

All covenants required by this sub-section shall be in a form satisfactory to Franchisor, including, without limitation, the specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them. Franchisee's failure to obtain and deliver to Franchisor executed covenants required by this sub-section shall constitute a material breach of this Agreement.

I. True Copies of Copies

Franchisee represents and warrants that copies of all documents it must furnish to Franchisor in connection with obtaining the Franchise, and as may be required in the future, have been and will be true and complete copies of such documents (including all amendments or modifications) and contain no misleading or incorrect statements or material omissions.

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WARRANTIES AND ACKNOWLEDGMENTS

Franchisee acknowledges that except as expressly provided to the contrary in this Agreement and the franchise disclosure document provided by Franchisor to Franchisee, Franchisor makes no representations, warranties, or guarantees upon which Franchisee may rely. Nor does Franchisor assume any liability or obligation to Franchisee by providing any waiver, approval, consent, or suggestion to Franchisee in connection with this Agreement or the Franchised Business.

In entering into this Agreement, Franchisee explicitly acknowledges all of the following:

1. FRANCHISEE'S SUCCESS IN OWNING AND OPERATING THE FRANCHISED BUSINESS IS SPECULATIVE AND WILL DEPEND ON MANY FACTORS, INCLUDING PRIMARILY, FRANCHISEE'S INDEPENDENT BUSINESS ABILITY. EXCEPT AS SPECIFICALLY SET FORTH IN THIS AGREEMENT, NO REPRESENTATIONS OR PROMISES, EXPRESS OR IMPLIED, HAVE BEEN MADE BY FRANCHISOR OR ANY EMPLOYEE, ATTORNEY, OR REPRESENTATIVE OF FRANCHISOR, TO INDUCE FRANCHISEE TO ENTER INTO THIS AGREEMENT. NO EMPLOYEE, OFFICER, DIRECTOR, ATTORNEY, OR REPRESENTATIVE IS AUTHORIZED TO DO OTHERWISE. FRANCHISEE FURTHER ACKNOWLEDGES AND AGREES THAT FRANCHISOR HAS MADE NO REPRESENTATIONS, WARRANTIES, GUARANTEES, EXPRESS OR IMPLIED, OUTSIDE OF THE FRANCHISE DISCLOSURE DOCUMENT, CONCERNING WHETHER OR NOT FRANCHISEE WILL EARN PROFIT OR DERIVE ANY INCOME FROM THE FRANCHISED BUSINESS. NOR DID FRANCHISOR REPRESENT, WARRANT, OR GUARANTY THAT IT WOULD REPURCHASE ANY PRODUCTS, EQUIPMENT, OR SUPPLIES IF FRANCHISEE WAS UNSATISFIED WITH THE FRANCHISED BUSINESS.

2. FRANCHISOR MAKES NO WARRANTY AS TO FRANCHISEE'S ABILITY TO OPERATE THE FRANCHISED BUSINESS IN THE JURISDICTION IN WHICH THE FRANCHISED BUSINESS IS TO BE OPERATED. FRANCHISEE ITSELF MUST SEEK OR OBTAIN ADVICE OF COUNSEL SPECIFICALLY WITH RESPECT TO THIS ISSUE AND WITH RESPECT TO EXECUTION OF THIS AGREEMENT. IF LEGISLATION OR A REGULATION IS ENACTED OR PROMULGATED BY ANY GOVERNMENTAL BODY THAT PREVENTS FRANCHISEE FROM OPERATING THE FRANCHISED BUSINESS, FRANCHISOR SHALL NOT BE LIABLE FOR ANY OF FRANCHISEE'S DAMAGES, NOR SHALL FRANCHISOR BE REQUIRED TO INDEMNIFY FRANCHISEE IN ANY MANNER WHATSOEVER, OR TO RETURN ANY MONEY RECEIVED FROM FRANCHISEE.

3. FRANCHISEE HAS READ THIS AGREEMENT, THE FRANCHISE DISCLOSURE DOCUMENT, AND ALL OTHER RELATED AGREEMENTS AND DOCUMENTS, AND UNDERSTANDS AND ACCEPTS THE TERMS, CONDITIONS, AND COVENANTS CONTAINED IN EACH OF THEM. FRANCHISEE FURTHER ACKNOWLEDGES THAT SUCH TERMS, CONDITIONS, AND COVENANTS ARE REASONABLY NECESSARY TO MAINTAIN THE SYSTEM'S HIGH STANDARDS OF QUALITY AND SERVICE, AND THUS PROTECT AND PRESERVE THE GOODWILL ASSOCIATED WITH THE MARKS. FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE UNDERSTANDS THE PROVISIONS OF THIS AGREEMENT, THE FRANCHISE DISCLOSURE DOCUMENT, AND ALL OTHER RELATED AGREEMENTS AND DOCUMENTS.

4. FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT. FRANCHISEE RECOGNIZES THAT THE NATURE OF THE FRANCHISED BUSINESS MAY EVOLVE AND CHANGE OVER TIME, THAT AN INVESTMENT IN THE FRANCHISED BUSINESS INVOLVES BUSINESS RISKS, AND THAT THE SUCCESS OF THE VENTURE DEPENDS PRIMARILY UPON FRANCHISEE'S INDIVIDUAL AND INDEPENDENT BUSINESS ABILITY AND EFFORTS. FRANCHISEE HAS CONSULTED WITH PROFESSIONAL ADVISORS OF FRANCHISEE'S CHOOSING WHEN DEEMED NECESSARY TO DO SO, INCLUDING LEGAL COUNSEL, REGARDING ALL ASPECTS OF THE FRANCHISED BUSINESS CONTEMPLATED BY THIS AGREEMENT, ALL RELATED AGREEMENTS, AND THE BUSINESS RELATIONSHIPS CREATED BY BECOMING A FRANCHISEE IN THE SYSTEM. FOLLOWING SUCH CONSULTATIONS, OR IN THE ABSENCE OF SUCH CONSULTATIONS, FRANCHISEE HAS INDEPENDENTLY CONCLUDED, THAT IT IS FINANCIALLY PREPARED TO ASSUME THE RISKS THAT MAY BE INVOLVED IN SUCH A BUSINESS VENTURE.

5. FRANCHISEE IS AWARE OF THE FACT THAT SOME PRESENT OR FUTURE FRANCHISEES MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENTS, AND CONSEQUENTLY, THAT FRANCHISOR'S OBLIGATIONS AND RIGHTS WITH RESPECT TO ITS VARIOUS FRANCHISEES MAY DIFFER MATERIALLY.

6. NO REPRESENTATIONS HAVE BEEN MADE OR AUTHORIZED BY FRANCHISOR, OR BY ITS OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES, PERSONNEL, ATTORNEYS, AGENTS, OR OTHER REPRESENTATIVES, THAT ARE CONTRARY TO THE STATEMENTS MADE IN THE FRANCHISE DISCLOSURE

DOCUMENT (OF WHICH THIS FRANCHISEE AGREEMENT IS A PART), AND FRANCHISEE HAS NOT RELIED UPON ANY OTHER SUCH REPRESENTATIONS.

7. IN ALL OF THEIR DEALINGS WITH FRANCHISEE, FRANCHISOR'S OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES, PERSONNEL, AGENTS, AND REPRESENTATIVES, SUCH INDIVIDUALS ACTED ONLY IN A REPRESENTATIVE CAPACITY, NOT IN AN INDIVIDUAL CAPACITY, AND THIS AGREEMENT, AND ALL BUSINESS DEALINGS BETWEEN FRANCHISEE AND SUCH INDIVIDUALS AS A RESULT OF THIS AGREEMENT, ARE SOLELY BETWEEN FRANCHISEE AND FRANCHISOR.

8. IN EACH CASE IN WHICH FRANCHISOR MAY EXERCISE ANY OPTION OR OTHER RIGHT UNDER THIS AGREEMENT, FRANCHISOR MAY DO SO IN ITS SOLE DISCRETION, WITHOUT LIABILITY OR OTHER OBLIGATION. SO AS TO PRESERVE THE FLEXIBILITY TO DEAL WITH PRACTICAL SITUATIONS, FRANCHISOR MAY, IN ITS SOLE DISCRETION, ELECT NOT TO ENFORCE (OR TO ENFORCE SELECTIVELY) ANY PROVISION OF THIS AGREEMENT, OR ANY OTHER AGREEMENT, ANY POLICY OR OTHERWISE, WHETHER WITH RESPECT TO FRANCHISEE OR ANY OTHER FRANCHISEE OF THE SYSTEM. LIKEWISE, FRANCHISOR MAY APPLY DIFFERENT POLICIES TO ANY FRANCHISEE, ALL WITHOUT LIABILITY OR OTHER OBLIGATION, AND ANY SUCH ACTS OR OMISSIONS WILL NOT LIMIT OR OTHERWISE AFFECT FRANCHISOR'S RIGHTS, WHETHER TO STRICTLY ENFORCE THIS AGREEMENT OR OTHERWISE.

XXI

INJUNCTIVE RELIEF / LIMITATION ON DAMAGES

A. Injunctive Relief

The Franchised Business is intended to be one of a large number of businesses identified by the Marks. Consequently, Franchisee's failure to comply with the terms of this Agreement is likely to cause irreparable damage to Franchisor and the System, and damages at law would, therefore, likely be an inadequate remedy. Accordingly, in the event of a breach or threatened breach of any of the provisions of this Agreement by Franchisee, Franchisor may seek an injunction restraining such breach or a decree of specific performance (together with recovery of reasonable attorneys' fees and costs incurred in obtaining such equitable relief) without having to demonstrate or prove actual damages, and without the need to post a bond.

If a court of competent jurisdiction nevertheless requires a bond, a bond in the sum of \$1,000.00 shall be deemed to be sufficient. The foregoing equitable remedies are in addition to all other rights or remedies to which Franchisor may otherwise be entitled because of any breach of this Agreement by Franchisee. Notwithstanding anything in this Agreement to the contrary, Franchisor may seek equitable and injunctive relief in any jurisdiction that has jurisdiction over Franchisee despite the fact that venue under this Agreement shall be solely the County of San Diego, State of California.

B. Limitation on Damages

THE PARTIES EACH WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IF THERE IS A DISPUTE WITH THE OTHER, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED.

FRANCHISEE WAIVES AND DISCLAIMS ANY RIGHT TO CONSEQUENTIAL DAMAGES IN ANY ACTION OR CLAIM AGAINST FRANCHISOR CONCERNING THIS AGREEMENT OR ANY RELATED AGREEMENT.

XXII INDEPENDENT CONTRACTOR

Franchisee is, and shall always remain, an independent contractor within the meaning of federal and state law. Franchisee, therefore, acknowledges and agrees to all of the following:

1. Except for the attorney-in-fact provisions described above, this Agreement does not create a fiduciary or trust relationship between the Parties, nor is any provision contained in this Agreement intended to render either Party as an agent, legal representative, subsidiary, joint venturer, partner, employee, affiliate, or servant of the other Party.
2. Franchisee shall not make any contract, agreement, warranty, or representation on Franchisor's behalf. Franchisee shall not incur any debt or other obligation in Franchisor's name. All agreements between Franchisee and any third party must be made in Franchisee's formal legal name only. Franchisee must take such affirmative action as Franchisor requests to disclose to the public that Franchisee is an independent contractor. Such actions shall include placing and maintaining a sign in a conspicuous place on any vehicle used in the operation of the Franchised Business, as well as a notice on all stationery, business cards, sales literature, contracts, and similar documents that states that the Franchised Business is independently owned and operated by Franchisee.
3. Franchisee will indemnify and hold Franchisor and its owners, agents, attorneys, and managers harmless from any Claims (including reasonable attorney's fees and costs, even if incident to appellate, post-judgment, or bankruptcy proceedings), to which Franchisor (or its owners, etc.) becomes subject arising from or relating to the operation of the Franchised Business. Such indemnity shall apply regardless of who brings such Claims (e.g., Franchisee's employees, customers, or other third parties). This indemnity provision shall continue in full force and effect in perpetuity regardless of whether or not this Agreement has expired or been terminated.

XXIII MISCELLANEOUS

A. Liability of Individuals and/or Multiple Franchisees

If Franchisee consists of more than one individual, all such persons shall be jointly and severally liable for Franchisee's liabilities and obligations under this Agreement.

If Franchisee is an entity, each owner, member, shareholder, managing member, and/or partner of a Franchisee (collectively or individually referred to as "Owner") shall be required to execute this Agreement. All Owners shall jointly and severally guarantee Franchisee's performance under this Agreement and shall bind themselves to the terms of this Agreement. If one or more individuals executing this Agreement on behalf of Franchisee fails to obtain and deliver the signatures of all of Franchisee's Owners, nothing in this Agreement shall be deemed to release those non-signing Owners from liability under this provision.

This provision shall not apply to Owners of a publicly held corporation or non-managing members of a limited liability company. If any Owner of Franchisee (direct or indirect) is itself an entity, all such owners, shareholders, members, managing members, or partners of such entity shall also sign this Agreement or another agreement acceptable to Franchisor that provides that such individual(s) jointly and severally guarantee Franchisee's obligations under this Agreement.

B. Waiver

No breach of any provisions in this Agreement can be waived unless done so in writing and signed by the Parties. Waiver of any one provision of this Agreement shall not be deemed to be a waiver of any other provision, nor shall a waiver of a specific provision on any particular occasion be deemed a permanent waiver of that provision.

C. Severability

Unless otherwise specified above, if all or part of any provision in this Agreement becomes or is declared by a court/arbitrator of competent jurisdiction to be illegal, unenforceable, or void, this Agreement shall continue in full force and effect without such language. However, if the absence of such language materially alters the rights, limitations, and/or obligations of the Parties, the above-referenced court/arbitrator shall determine the rights, limitations, and/or obligations of the Parties according to the intent of this Agreement when taken as a whole.

D. Entire Agreement

This Agreement, which includes all of its exhibits by this reference, constitutes the entire agreement between the Parties and supersedes all previous agreements concerning the subject matter of this Agreement, either written or oral, between them except those disclosures included in Franchisor's franchise disclosure document. Except as may be explicitly set forth elsewhere in this Agreement, any modifications to this Agreement will be effective only if in writing and executed by authorized representatives of the Parties.

E. Construction

Except to the extent governed by the Lanham Act (15 U.S.C. 1051 et seq.) relating to the Marks, this Agreement shall be governed by and construed in accordance with the laws of the state in which the Franchised Business is located.

If any provision of this Agreement is inconsistent with any applicable state franchise investment law, rules or regulations, such applicable state law shall apply. Any addendum to this Agreement required by the regulatory authorities of any state for the purpose of disclosing the salient provision of such a state's law is made a part of this Agreement by this reference.

F. Jurisdiction and Venue

Except to the extent governed by the Lanham Act (15 U.S.C. 1051 et seq.) relating to the Marks, and unless prohibited by any applicable law, Franchisee agrees that subject to Franchisor's sole and absolute election, all suits, actions, or other proceedings with respect to, arising out of, or in connection with this Agreement, shall be heard and determined in a court located in San Diego, California. Franchisee therefore consents and agrees that the courts located in the State of California, County of San Diego, shall have personal jurisdiction over Franchisee in all lawsuits relating to or arising out of this Agreement.

If Franchisee is located outside of the State of California, Franchisee agrees that Franchisee may be served with process via certified mail, and Franchisee waives any defense it may have of insufficiency of service of process relating to such service. This method of service shall not be the exclusive method of service available in such lawsuits and shall be available in addition to any other method of service allowed by law.

G. Headings

The headings contained in this Agreement are for reference purposes only and do not define or limit the scope of any provision. Consequently, the headings shall not be considered when interpreting this Agreement.

H. Notices

Except as may otherwise be explicitly required above, all notices required under this Agreement shall be in writing and shall be delivered to the addresses set forth below (or any subsequent address provided in writing by a Party) via: (i) certified mail, return receipt requested; (ii) personal delivery if accompanied by proof of delivery; or (iii) a nationally recognized delivery service (e.g., Federal Express, United Parcel Service, etc.) requiring proof of delivery. Notwithstanding the foregoing, if the Parties subsequently agree in writing, whether via electronic mail, or in one of the three methods referenced above, to permit notices to be delivered via electronic mail, then all subsequent notices may be delivered in that manner.

To Franchisor:

c/o The Rush Coffee Franchise Group LLC
757 N. Twin Oaks Valley Rd., Suite 2
San Marcos, CA 92069

To Franchisee:

I. Compliance with Local Law

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of, or refusal to renew, this Agreement, than is required above, the prior notice or other action required by such law or rule shall be substituted for those presently contained in this Agreement. Likewise, if any applicable and binding law of the state in which the Franchised Business is located places limitations on the character, duration, or geographic scope of the non-competition covenant contained in this Agreement, the Parties agree that the scope, duration, or area of the non-competition covenant contained in this Agreement shall be replaced with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision. Any modifications to this Agreement required because of this provision shall be effective only in such jurisdictions where such modifications are required and this Agreement shall be enforced as originally made and entered into in all other jurisdictions. Notwithstanding the foregoing, Franchisor reserves the right to challenge the applicability of any such law or rule.

J. Attorneys’ Fees and Costs

In any legal action to enforce or interpret the provisions of this Agreement, the prevailing Party shall be entitled to its attorneys’ fees and costs.

K. No Third-Party Beneficiaries

Except as may be explicitly stated elsewhere in this Agreement, nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or entity other than the Parties to this Agreement.

L. Interpretation

Each of the Parties has been, or has had the opportunity to have been, represented by their own independent counsel throughout the negotiations, as well as at the execution of this Agreement, and all the other documents executed incidental to this Agreement. None of the Parties, therefore, may claim or assert that any provision of this Agreement or any of the other documents should be construed against the drafter.

M. Waiver of Jury

The Parties each waive any trial by jury in any action, whether at law or in equity, arising out of or related to the enforcement or interpretation of this Agreement.

N. Counterparts

This Agreement may be signed in counterparts, any of which may be signed and transmitted electronically, each of which shall be deemed an original, and all of which shall, when taken together, constitute a single document.

The Parties have executed this Agreement, or caused this Agreement to be executed by their duly authorized agents, as of the date first written above.

FRANCHISOR: THE RUSH COFFEE FRANCHISE GROUP, LLC		FRANCHISEE:	
Signature:_____		Signature:_____	
Name:_____		Name:_____	
Title:_____		Title:_____	
Date:_____		Date:_____	
INDIVIDUAL FRANCHISEE:		INDIVIDUAL FRANCHISEE:	
_____ Signature		_____ Signature	
_____ Print Name		_____ Print Name	
Date:_____		Date:_____	

EXHIBIT 1
TO THE RUSH COFFEE FRANCHISE AGREEMENT
IDENTIFICATION OF FRANCHISEE

INDIVIDUAL FRANCHISEE

Name: _____ Date of Birth: _____

Home Address (P.O. Box not acceptable): _____

City: _____ State: _____ Zip: _____

Home Telephone: _____ SSN: _____

NON-INDIVIDUAL FRANCHISEE

Check One: ☐ Corporation ☐ Limited Liability Company ☐ Partnership

Name: _____ EIN: _____

Address: _____

City: _____ State: _____ Zip: _____

Telephone: _____ State of Organization: _____

Statutory/Registered Agent: _____

Address of Agent: _____

City: _____ State: _____ Zip: _____

Officers—

President: _____ Vice President: _____

Treasurer: _____ Secretary: _____

Shareholders/Members/Partners

Name: _____ Percentage of Ownership: _____

Home Address (P.O. Box not acceptable): _____

City: _____ State: _____ Zip: _____

Home Telephone: _____ SSN: _____

Name: _____ Percentage of Ownership: _____

Home Address (P.O. Box not acceptable): _____

City: _____ State: _____ Zip: _____

Home Telephone: _____ SSN: _____

Name: _____ Percentage of Ownership: _____

Home Address (P.O. Box not acceptable): _____

City: _____ State: _____ Zip: _____

Home Telephone: _____ SSN: _____

Name: _____ Percentage of Ownership: _____

Home Address (P.O. Box not acceptable): _____

City: _____ State: _____ Zip: _____

Home Telephone: _____ SSN: _____

The Franchisee, or if Franchisee is not an individual, each of the Franchisee's owners, certify that the foregoing information is accurate and complete to the best of their knowledge and agree to notify Franchisor promptly of any change in any such information during the Term of the Franchise Agreement to which this Exhibit 1 is attached.

Signature _____ Signature _____

Print Name _____ Print Name _____

Signature _____ Signature _____

Print Name _____ Print Name _____

EXHIBIT 2
TO THE RUSH COFFEE FRANCHISE AGREEMENT
SITE AND TERRITORY

1. The address and/or description of the Site (e.g., year, make, model, etc.) for the Franchised Business shall be:

2. The Territory referenced in the Franchise Agreement shall consist of the following geographical area in the State of _____:

**FRANCHISOR: THE RUSH COFFEE FRANCHISE
GROUP, LLC**

FRANCHISEE:

Signature:_____

Signature:_____

Name:_____

Name:_____

Title:_____

Title:_____

Date:_____

Date:_____

INDIVIDUAL FRANCHISEE:

INDIVIDUAL FRANCHISEE:

Signature

Signature

Print Name

Print Name

Date:_____

Date:_____

EXHIBIT 3
TO THE RUSH COFFEE FRANCHISE AGREEMENT
AUTHORIZATION FOR ELECTRONIC TRANSFER OF FUNDS

The depositor identified below (the "Depositor") authorizes The Rush Coffee Franchise Group LLC ("Payee") to initiate debit entries and/or credit correction entries to the Depositor's checking account designated below and authorizes the financial institution designated below (the "Bank") to debit such account as instructed by Payee.

Name of Financial Institution

Branch

Address of Financial Institution

City

State

Zip Code

Account Number

Bank Transit/Routing Number

This authority will remain in effect until the Bank receives a written cancellation notification from Depositor in such time as to afford the Bank a reasonable opportunity to act on it. Depositor may stop payment of any entry by notifying the Bank at least three business days before the entry is charged to Depositor's account. Depositor may have the amount of any erroneous entry immediately credited to Depositor's account by notifying the Bank within 15 calendar days after the Bank issues Depositor's account statement containing the erroneous entry, or 45 calendar days after posting, whichever occurs first. These rights are in addition to any rights Depositor may have under federal and state banking or consumer protection laws.

Name of Depositor: _____

Signature: _____

By: _____

Date: _____

Title: _____



EXHIBIT B
TO THE RUSH COFFEE FRANCHISE DISCLOSURE DOCUMENT
AREA DEVELOPMENT AGREEMENT

Area Development Agreement

between

**THE RUSH COFFEE FRANCHISE GROUP LLC
("Franchisor")**

and

("Developer")

Territory Name / Location

Dated

THE RUSH COFFEE AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (“Agreement”) is made and entered into on the dates set forth on the coversheet on the prior page by and between The Rush Coffee Franchise Group LLC, a California limited liability company (“Franchisor” or “The Rush Coffee”) and _____ (“Developer”). Franchisor and Developer may be collectively referred to in this Agreement as the “Parties,” or individually as a “Party.”

RECITALS

- A. Franchisor has dedicated time, skill, effort, and money to create and develop a system for the establishment and operation of a distinctive type of vehicle-based business that offers premiere coffee, espresso drinks, specialty smoothies, Italian sodas, teas, shaved ice, other beverages, baked goods, and desserts (the “System”)
- B. Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including but not limited to, the mark “THE RUSH COFFEE,” and such other trade names, service marks, and trademarks as are now designated or may later be designated or substituted by Franchisor, for use in connection with the System (the “Mark(s)”).
- C. Franchisor has licensed individuals and entities to operate vehicle-based mobile coffee businesses utilizing the System and identified by the Marks (each, a “Franchised Business”).
- D. Franchisor and Developer desire to enter into this Agreement under which Developer shall obtain the exclusive right to establish and operate a specified number of Franchised Businesses within a specified geographical area upon the terms and conditions contained in Franchisor’s then-current standard franchise agreement (each, a “Franchise Agreement”).
- E. Franchisor and Developer have already entered into an initial Franchise Agreement (the “Initial Franchise Agreement”) dated the same date as this Agreement.

In acknowledging the truth of the foregoing, and in consideration of the mutual covenants set forth below, the Parties agree as follows:

I

GRANT OF DEVELOPMENT RIGHTS AND DEVELOPMENT AREA

Subject to the terms and conditions of this Agreement, Franchisor grants the right to Developer, and Developer undertakes the obligation to establish and operate in the area designated in Exhibit 1 of this Agreement (the “Development Area”), the number of Franchised Businesses specified in the development schedule on Exhibit 2 (the “Development Schedule”). This Agreement does not grant Developer any right to use the Marks or System, as those rights may only be granted in a Franchise Agreement.

II

FEES

The total amount of the Development Fee is listed in Exhibit 2 (the “Development Fee”). The Development Fee will be applied toward the initial franchise fee due under subsequent Franchise Agreements in the manner

specified in Exhibit 2. Developer will pay the balance of the initial franchise fee as so stipulated and due under the then current Franchise Agreement for each Franchised Business at the time the Franchise Agreement for each Franchised Business is executed. The Development Fee is non-refundable.

III DEVELOPMENT SCHEDULE

Developer must enter into Franchise Agreements and open and operate Franchised Businesses in accordance with the deadlines set forth in the Development Schedule. By each fee deadline specified in the Development Schedule, Developer must have delivered to Franchisor an initial franchise fee and a signed copy of Franchisor's then-current standard form of Franchise Agreement for the number of The Rush Coffee Franchised Businesses specified on the Development Schedule. By each "Opening Deadline" specified in the Development Schedule, Developer must have the specified number of Franchised Businesses open and operating. Developer must select vehicles for the Franchised Businesses that have been approved by Franchisor under an applicable Franchise Agreement.

IV DEVELOPMENT AREA

A. Exclusivity

While this Agreement is in effect, provided that Developer opens and operates a Franchised Businesses in accordance with the Development Schedule, and the minimum number of Franchised Businesses that Developer has open and is operating in the Development Area at any given time is not less than the minimum required under the Development Schedule, Franchisor shall not establish or license another to establish a business with the same Model Concept (and that term was defined in the Franchise Agreement) as the Franchised Businesses within the Development Area.

This limitation shall have no affect on Franchisor's establishing or licensing a different concept (whether using the System and/or Marks or not) in the Development Area. Such different concepts might include, without limitation, storefront, co-branded, pop-up, virtual, or mobile outlets that are different than Developer's Model Concept under Marks and the System within the Development Area.

B. No Other Restrictions

Developer acknowledges that, except to the extent expressly provided in this Agreement, Franchisor retains all rights and discretion with respect to the Marks and System, including the right to:

1. Establish, and license others to establish, Franchised Businesses at any location outside of the Development Area.
2. Establish, and license others to establish, businesses [other than a Competitive Business (as defined below)] under other systems using other proprietary marks at such locations, including within the Development Area, and on such terms and conditions as Franchisor deems appropriate.
3. Purchase or otherwise acquire the assets or controlling ownership of, and subsequently continue to own and operate, one or more businesses identical or similar to Franchised Businesses that does not use the Marks, some or all of which may be located anywhere, including within the Development Area.

4. Advertise, promote, market, or sell goods or services using the Marks over the internet or any other electronic network.
5. Own, acquire, establish and operate, and license others to establish and operate businesses like the Franchised Business or substantially similar to the Franchised Business, whether under the Marks or other proprietary marks in any temporary or permanent venue where there is a captive audience and where the primary purpose is other than patronizing a The Rush Coffee business (“Special Venue”)—e.g., malls, entertainment, and sports centers, military bases, transportation facilities, supermarkets, service stations, and carnivals within or outside of the Development Area.
6. Contract with a customer whose offices, stores, plants, buildings, or other physical facilities is not confined to the territory of a single The Rush Coffee territory or the trading area of a single franchisee of The Rush Coffee or a Franchisor-owned business (“Special Accounts”). If Franchisor establishes a contract for facilities of a Special Account located in the Development Area, Franchisor shall offer Franchisee the first option of providing the Franchised Business’s services to the Special Account at those facilities in the Development Area at the prices and subject to the contract requirements negotiated by Franchisor with the Special Account.
7. Engage in any activities not expressly forbidden by this Agreement.

V COMPETITIVE BUSINESS

For purposes of this Agreement, “Competitive Business” means any business that directly or indirectly operates, manages, offers, sells, or provides (or grants franchises or licenses to others to do so): (i) coffee, espresso drinks, smoothies, sodas, teas, and other beverages; (ii) shaved ice; (iii) baked goods and desserts; or (iv) products similar to those customarily offered by a Franchised Business, or in which trade secrets or other Confidential Information could be used to the disadvantage of Franchisor or its other franchisees.

VI TERM

This Agreement expires at midnight on the last Opening Deadline date listed on the Development Schedule unless this Agreement is terminated sooner as provided in this Agreement.

VII TERMINATION

A. Events of Default

Any one or more of the following constitutes an “Event of Default” under this Agreement:

1. Developer fails to pay any initial franchise fee or execute any Franchise Agreement by any fee deadline specified in the Development Schedule.
2. Developer fails to have opened and maintained in continuous operation the minimum number of Franchised Businesses specified in the Development Schedule by any Opening Deadline specified in the Development Schedule. In no event, however, shall a failure to open and/or operate a Franchised

Business in accordance with the Development Schedule itself constitute cause for Franchisor to terminate any previously executed Franchise Agreement.

3. A default occurs under any Franchise Agreement, resulting in the termination of such Franchise Agreement.

4. Developer breaches or otherwise fails to comply fully with any other provision contained in this Agreement or any other agreement with the Franchisor.

B. Remedies

If any Event of Default occurs, Franchisor may immediately terminate this Agreement, and the Parties' remedies shall be limited to the following:

1. Upon termination following a failure to open and/or operate a Franchised Business in accordance with the Development Schedule, Franchisor's sole remedies under this Agreement will be retention of the Development Fee and termination of this Agreement.
2. Upon termination of this Agreement for any other Event of Default, Franchisor shall be entitled to retain the Development Fee, and Developer will not be relieved of any of its obligations, debts, or liabilities under this Agreement, including without limitation any debts, obligations, or liabilities which have accrued prior to such termination. The right of termination granted by this Agreement is in addition to, and not in lieu of, any other rights and remedies available to Franchisor at law, in equity, or otherwise, including without limitation the right to injunctive relief.

VIII ASSIGNMENT

A. By Franchisor

This Agreement is fully assignable by Franchisor and will inure to the benefit of any assignee or another legal successor to Franchisor's interest.

B. By Developer

With respect to the transfer by Developer of the Franchised Business, Developer, and/or any individuals who own or control the Franchised Business, agree as follows: *[As used in this provision of the Agreement, the uncapitalized term "transfer" shall mean and refer to a direct or indirect sale, assignment, conveyance, transfer, pledge, mortgage, or encumbrance of all or a substantial portion of the assets of the Franchised Business, Developer, or of any entity that owns an interest in the Franchised Business or Developer.]*

1. Developer acknowledges and agrees that the rights and duties set forth in this Agreement are personal to Developer. Franchisor has granted the Franchised Business to Developer in reliance upon Developer's business skills, financial capacity, reputation, aptitude, and/or personal character. Accordingly, Developer and its owners may not directly or indirectly transfer, sell, assign, convey, pledge, encumber, mortgage, or otherwise dispose of—voluntarily, involuntarily, or by operation of law—any direct or indirect interest in this Agreement or the Franchised Business without Franchisor's prior written consent. Franchisor shall not, however, unreasonably withhold its consent to a transfer of any interest in

Developer provided that Developer (and any other involved individuals or entities) strictly comply with the conditions set forth in this provision of the Agreement.

2. Any purported or attempted transfer by Franchisee, by operation of law or otherwise, in violation of this Agreement shall be null and void. Such a transfer shall also constitute a material breach of this Agreement, for which Franchisor may elect to terminate without any opportunity to cure.

Notwithstanding anything in this Agreement to the contrary, no transfer may be made to any person or entity who directly or indirectly engages in a business that is competitive with, or is substantially similar to, the business conducted by the Franchised Business, or who directly or indirectly owns an interest in any such competing business.

3. Developer has satisfied all of its obligations, monetary or otherwise, to Franchisor and any third parties.

4. Developer executes a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its officers, directors, shareholders, attorneys, and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances.

5. The transferee shall demonstrate to Franchisor's satisfaction that it: (a) meets Franchisor's educational, managerial, and business standards; (b) possesses a good moral character, business reputation, and credit rating; (c) has the aptitude and ability to conduct the Franchised Business; and (d) has adequate financial resources to operate the Franchised Business.

6. The transferor's right to receive compensation under any agreement for the purchase of any interest in Developer or in the Franchised Business shall be subordinated and secondary to Franchisor's rights to receive any outstanding monetary obligations or other outstanding obligations due from the transferor or Developer under this Agreement, whether arising before or after the transfer.

7. Either Developer or the transferee shall pay Franchisor a transfer fee of \$4,000, plus Franchisor's attorneys' fees and costs incurred in reviewing and approving the terms and conditions of the transfer.

8. If a transfer occurs in violation of the requirements set forth above, and notwithstanding the fact that such a violation should have precluded the completion of the transfer under the express terms of this Agreement, the failure of any individual shareholder, member, partner or owner of a transferee to obtain the above-referenced signatures from the transferee's other shareholders, members, partners or owners shall result in the personal liability of the Developer, as well as the individual who executed the assignment on behalf of the transferee.

9. Developer shall remain liable for all of its obligations under this Agreement prior to the effective date of the transfer, and Developer therefore agrees to execute and/or obtain any documents which Franchisor may require to ensure compliance with the requirements set forth in this section.

10. Franchisor's consent to a proposed transfer shall not constitute an opinion by Franchisor concerning the appropriateness or fairness of the terms of the transfer, or the likelihood of the transferee's (or Developer's) future success.

11. Developer releases and indemnifies Franchisor from any claims or liabilities stemming from a denial by Franchisor of a proposed transfer, including without limitation, if the denial resulted from a failure by Developer or the transferee to abide by all of the requirements set forth in this section.

12. Franchisor's consent to a transfer does not constitute a waiver by Franchisor of any claims it may have against Developer for any breach of this Agreement, either before or after the consent was given.

13. Subject to the limitations set forth below, all transfers are subject to Franchisor's right of first refusal.

C. Franchisor's Right of First Refusal

Subject to the limitations set forth elsewhere in this sub-section, the Parties agree that Franchisor shall at all times have a right of first refusal on any bona fide offer by a prospective purchaser (i.e., prospective transferee) to purchase an interest in this Agreement under the following conditions:

1. Upon receipt of a bona fide offer by the prospective purchaser/transferee, Developer shall prepare the details of the offer in writing and provide them to Franchisor. The written notification to Franchisor must contain identical terms as the offer presented by the prospective purchaser/transferee, as well as the prospective purchaser's/transferee's name, address, telephone number, and other pertinent contact information.
2. Upon receipt of Developer's written notification, Franchisor shall have 30 business days to consider and accept the offer by sending written notification to Developer of Franchisor's intent to exercise its right of first refusal by meeting the terms of the prospective purchaser's/transferee's offer. If Franchisor does not send Franchisor's acceptance within the requisite 30 business day period, then subject to the other transfer requirements set forth above, Developer may conclude the sale/transfer to the prospective purchaser/transferee.
3. If Franchisor exercises its right of first refusal, the closing shall occur within 90 calendar days of Franchisor's acceptance. If Franchisor chooses not to exercise its right of first refusal, then Developer must conclude the sale within 90 calendar days of Franchisor's rejection, or within 90 calendar days of the expiration of Franchisor's 30-day notice rights, whichever occurs first.

As long as all the applicable requirements contained in this Agreement and in the Franchise Agreement are followed, the right of first refusal set forth above does not apply to assignments, transfers, or sales of Developer's interest in this Agreement or any equity interest in Developer, made to Developer, or if Developer is an Entity, to any of its Owners' spouses or children.

IX

DEVELOPER'S COVENANT NOT TO COMPETE OR CIRCUMVENT

A. During the Term of the Development Agreement

Developer acknowledges that Developer will receive valuable specialized training and Confidential Information from Franchisor regarding the System, including without limitation, information and training relating to the: (i) design, development, and operation of the Franchised Business; (ii) promotion and marketing of the System. Developer further acknowledges that Franchisor would be unable to protect the Confidential Information (as that term has been defined in the Franchise Agreement) and other trade secrets against unauthorized use or disclosure, and would therefore be unable to encourage a free exchange of ideas and information among the franchisees within the System, if Developer was permitted to hold interests in any competitive business, or otherwise circumvent the efforts of Franchisor or other developers/franchisees.

Developer therefore covenants and agrees that unless otherwise approved in writing by Franchisor, during the term of this Agreement:

1. Developer shall not, directly or indirectly, divert any business or customer of the Franchised Business or of any other of Franchisor's franchisees or developers, to any competitor, nor do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.
2. Developer shall not compete directly or indirectly—either as an employee, owner, manager, shareholder, member, or partner, or through any of the same—with Franchisor or any of Franchisor's other franchisees or developers within the Development Area or similar areas applicable to other developers, in any business that primarily offers/sells coffee, espresso drinks, smoothies, sodas, teas, shaved ice, other beverages, baked goods, and desserts, or any other products or services that are offered in the Franchised Business.

B. After Termination of the Franchise Agreement

In making the same acknowledgements as were set forth in the prior sub-section, Developer further covenants and agrees that unless otherwise approved in writing by Franchisor, upon the transfer, expiration, or termination of this Agreement, and for a period of two years after such transfer, expiration, or termination:

1. Developer shall not compete directly or indirectly—either as an employee, owner, manager, shareholder, member, or partner, or through any of the same—within 25 air miles of Franchisor or any of Franchisor's other franchisees, in any business that primarily offers/sells coffee, espresso drinks, smoothies, sodas, teas, shaved ice, other beverages, baked goods, and desserts, or any other products or services that are offered in the Franchised Business.
2. Developer acknowledges and agrees that the non-competition activities prohibited in this sub-section, including the length of the term and the extent of the geographic restrictions, are necessary, fair, and reasonable to protect Franchisor's legitimate business interests, and do not therefore constitute overreaching, duress, or coercion on Franchisor's part. Developer further acknowledges and agrees that Developer's full, uninhibited, and faithful observance of each of the covenants contained in this Agreement, including the non-compete provisions, will not cause any undue hardship, financial or otherwise. Likewise, Developer acknowledges and agrees that enforcement by Franchisor of these covenants will not impair Developer's ability to obtain employment commensurate with Developer's abilities and on terms fully acceptable to Developer, or otherwise to obtain income required for Developer's support (or the support of the individual members, shareholders, and partners of Developer, if applicable). Developer's special knowledge of the Franchised Business is such as would cause Franchisor and its other franchisees serious injury and loss if it (or anyone acquiring such knowledge through Developer) were to use such knowledge to the benefit of a competitor or were to directly compete with Franchisor or any of its franchisees.

The Parties intend that the covenants contained in this particular sub-section be treated as a series of separate covenants, one for the geographic limitation generally, and one for each month of the two years identified as the non-competition period.

If, therefore, in any judicial proceeding, a court refuses to enforce all of the separate covenants set forth in this section, then such unenforceable covenants shall be deemed eliminated from the provisions of this Agreement for the purpose of such proceeding to the extent necessary to permit the remaining separate covenants to be enforced. Likewise, if in any judicial proceeding, a court shall refuse to enforce any one or more of such separate

covenants because the total time or mileage identified above is deemed to be excessive or unreasonable, then it is the intent of the Parties that such covenants—which would otherwise be unenforceable as a result of the court’s ruling as to the unreasonableness of the period of time or mileage—be enforced for such lesser period of time or mileage as the court deems reasonable.

The provisions of this sub-section shall survive the expiration, termination, or cancellation of this Agreement.

C. Exclusion for Publicly Traded Company

This sub-section shall not apply to Developer’s ownership of less than 5% of the outstanding equity securities of any corporation that is registered under the Securities and Exchange Act of 1934.

D. Injunctive Relief

Developer acknowledges that its violation of the terms of this section would result in irreparable injury to Franchisor for which no adequate remedy at law may be available. Consequently, Developer agrees that Franchisor shall be entitled to injunctive relief without the necessity of posting a bond, and that Developer shall reimburse Franchisor all of its attorneys’ fees and costs incurred in seeking and enforcing the injunctive relief.

E. Execution of Covenants by Key Personnel

Upon Franchisor’s written request, Franchisee shall provide Franchisor with executed Restrictive Covenant Agreements (see Exhibit D), containing covenants similar in substance to those set forth in this sub-section (including covenants applicable upon the termination of a person’s relationship with Franchisee), from each manager, officer, director, and owner of Franchisee.

With respect to each person who becomes associated with Franchisee in one of the capacities enumerated above subsequent to the execution of this Agreement, Franchisee shall, on its own accord, obtain signed Restricted Covenant Agreements from each such person and promptly provide Franchisor with executed copies.

In no event shall any person enumerated above be granted access to any Confidential Information or trade secrets related to the System or the Franchised Business prior to his or her execution of such a covenant.

All covenants required by this sub-section shall be in a form satisfactory to Franchisor, including, without limitation, the specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them. Franchisee’s failure to obtain and deliver to Franchisor executed covenants required by this sub-section shall constitute a material breach of this Agreement.

X ENFORCEMENT

A. Injunctive Relief

Each Franchised Business is intended to be one of a large number of businesses identified by the Marks. Consequently, Developer’s failure to comply with the terms of this Agreement is likely to cause irreparable damage to Franchisor and the System, and damages at law would, therefore, likely be an inadequate remedy. Accordingly, in the event of a breach or threatened breach of any of the provisions of this Agreement by Developer, Franchisor may seek an injunction restraining such breach or a decree of specific performance

(together with recovery of reasonable attorneys' fees and costs incurred in obtaining such equitable relief) without having to demonstrate or prove actual damages, and without the need to post a bond.

If a court of competent jurisdiction nevertheless requires a bond, a bond in the sum of \$1,000.00 shall be deemed to be sufficient. The foregoing equitable remedies are in addition to all other rights or remedies to which Franchisor may otherwise be entitled because of any breach of this Agreement by Developer. Notwithstanding anything in this Agreement to the contrary, Franchisor may seek equitable and injunctive relief in any jurisdiction that has jurisdiction over Franchisee despite the fact that venue under this Agreement shall be solely the County of San Diego, State of California.

B. Limitation on Damages

THE PARTIES EACH WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IF THERE IS A DISPUTE WITH THE OTHER, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED.

DEVELOPER WAIVES AND DISCLAIMS ANY RIGHT TO CONSEQUENTIAL DAMAGES IN ANY ACTION OR CLAIM AGAINST FRANCHISOR CONCERNING THIS AGREEMENT OR ANY RELATED AGREEMENT.

XI MISCELLANEOUS

A. Independent Contractor and Indemnification

Developer is, and shall always remain, an independent contractor within the meaning of federal and state law. Developer, therefore, acknowledges and agrees to all of the following:

1. Except for the attorney-in-fact provisions described above, this Agreement does not create a fiduciary or trust relationship between the Parties, nor is any provision contained in this Agreement intended to render either Party as an agent, legal representative, subsidiary, joint venturer, partner, employee, affiliate, or servant of the other Party.
2. Developer shall not make any contract, agreement, warranty, or representation on Franchisor's behalf. Developer shall not incur any debt or other obligation in Franchisor's name. All agreements between Developer and any third party must be made in Developer's formal legal name only. Developer must take such affirmative action as Franchisor requests to disclose to the public that Developer is an independent contractor. Such actions shall include placing and maintaining a sign in a conspicuous place on any vehicle used in the operation of the Franchised Business, as well as a notice on all stationery, business cards, sales literature, contracts, and similar documents that states that the Franchised Business is independently owned and operated by Developer.
3. Developer will indemnify and hold Franchisor and its owners, agents, attorneys, and managers harmless from any demands, actions, administrative/regulatory complaints, judgments, damages, liabilities, losses, costs, and expenses (including reasonable attorney's fees and costs, even if incident to appellate, post-judgment, or bankruptcy proceedings) to which Franchisor (or Franchisor's owners, employees, attorneys, representatives, successors, and assigns) becomes subject or incurs arising from or relating to claims brought in connection with the operation of the Franchised Business, or by the Franchised Business's employees, customers, or any other third parties, and relating in any manner to Franchisee's ownership or operation of the Franchised Business (collectively, the "Claims"). Such

indemnity shall apply regardless of who brings such Claims. This indemnity provision shall continue in full force and effect in perpetuity regardless of whether or not this Agreement has expired or been terminated.

B. Entire Agreement

This Agreement, which includes all of its exhibits by this reference, constitutes the entire agreement between the Parties and supersedes all previous agreements concerning the subject matter of this Agreement, either written or oral, between them except those disclosures included in Franchisor's franchise disclosure document. Except as may be explicitly set forth elsewhere in this Agreement, any modifications to this Agreement will be effective only if in writing and executed by authorized representatives of the Parties.

C. Severability

Unless otherwise specified above, if all or part of any provision in this Agreement becomes or is declared by a court/arbitrator of competent jurisdiction to be illegal, unenforceable, or void, this Agreement shall continue in full force and effect without such language. However, if the absence of such language materially alters the rights, limitations, and/or obligations of the Parties, the above-referenced court/arbitrator shall determine the rights, limitations, and/or obligations of the Parties according to the intent of this Agreement when taken as a whole.

D. Construction

Except to the extent governed by the Lanham Act (15 U.S.C. 1051 et seq.) relating to the Marks, this Agreement shall be governed by and construed in accordance with the laws of the state in which the Franchised Business is located.

If any provision of this Agreement is inconsistent with any applicable state franchise investment law, rules or regulations, such applicable state law shall apply. Any addendum to this Agreement required by the regulatory authorities of any state for the purpose of disclosing the salient provision of such a state's law is made a part of this Agreement by this reference.

E. Jurisdiction and Venue

Except to the extent governed by the Lanham Act (15 U.S.C. 1051 et seq.) relating to the Marks, and unless prohibited by any applicable law, Franchisee agrees that subject to Franchisor's sole and absolute election, all suits, actions, or other proceedings with respect to, arising out of, or in connection with this Agreement, shall be heard and determined in a court located in San Diego, California. Franchisee therefore consents and agrees that the courts located in the State of California, County of San Diego, shall have personal jurisdiction over Franchisee in all lawsuits relating to or arising out of this Agreement.

If Franchisee is located outside of the State of California, Franchisee agrees that Franchisee may be served with process via certified mail, and Franchisee waives any defense it may have of insufficiency of service of process relating to such service. This method of service shall not be the exclusive method of service available in such lawsuits and shall be available in addition to any other method of service allowed by law.

F. Headings

The headings contained in this Agreement are for reference purposes only and do not define or limit the scope of any provision. Consequently, the headings shall not be considered when interpreting this Agreement .

G. Notices

Except as may otherwise be explicitly required above, all notices required under this Agreement shall be in writing and shall be delivered to the addresses set forth below (or any subsequent address provided in writing by a Party) via: (i) certified mail, return receipt requested; (ii) personal delivery if accompanied by proof of delivery; or (iii) a nationally recognized delivery service (e.g., Federal Express, United Parcel Service, etc.) requiring proof of delivery. Notwithstanding the foregoing, if the Parties subsequently agree in writing, whether via electronic mail, or in one of the three methods referenced above, to permit notices to be delivered via electronic mail, then all subsequent notices may be delivered in that manner.

To Franchisor:

c/o The Rush Coffee Franchise Group LLC
757 N. Twin Oaks Valley Rd., Suite 2
San Marcos, CA 92069

To Franchisee:

H. Compliance with Local Law

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of, or refusal to renew, this Agreement, than is required above, the prior notice or other action required by such law or rule shall be substituted for those presently contained in this Agreement. Likewise, if any applicable and binding law of the state in which the Franchised Business is located places limitations on the character, duration, or geographic scope of the non-competition covenant contained in this Agreement, the Parties agree that the scope, duration, or area of the non-competition covenant contained in this Agreement shall be replaced with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision. Any modifications to this Agreement required because of this provision shall be effective only in such jurisdictions where such modifications are required and this Agreement shall be enforced as originally made and entered into in all other jurisdictions. Notwithstanding the foregoing, Franchisor reserves the right to challenge the applicability of any such law or rule.

I. Interpretation

Each of the Parties has been, or has had the opportunity to have been, represented by their own independent counsel throughout the negotiations, as well as at the execution of this Agreement, and all the other documents executed incidental to this Agreement. None of the Parties, therefore, may claim or assert that any provision of this Agreement or any of the other documents should be construed against the drafter.

J. No Third-Party Beneficiaries

Except as may be explicitly stated elsewhere in this Agreement, nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or entity other than the Parties to this Agreement.

K. Counterparts

This Agreement may be signed in counterparts, any of which may be signed and transmitted electronically, each of which shall be deemed an original, and all of which shall, when taken together, constitute a single document.

The Parties have executed this Agreement, or caused this Agreement to be executed by their duly authorized agents, as of the date first written above.

L. Waiver of Jury

The Parties each waive any trial by jury in any action, whether at law or in equity, arising out of or related to the enforcement or interpretation of this Agreement.

The Parties have executed this Agreement as of the dates set forth below.

FRANCHISOR: THE RUSH COFFEE FRANCHISE GROUP, LLC		BUSINESS ORGANIZATION DEVELOPER:	
By: _____		By: _____	
Title: _____		Title: _____	
Date: _____		Date: _____	
Signature _____		Signature _____	
Print Name _____		Print Name _____	
Date: _____		Date: _____	

EXHIBIT 1
TO THE RUSH COFFEE FRANCHISE AREA DEVELOPMENT AGREEMENT
DEVELOPMENT AREA

1. The Development Area is as follows:

[attach map if necessary]

Franchisor

Signature_____

Print Name_____

Franchisee

Signature_____

Print Name_____

Signature_____

Print Name_____

Signature_____

Print Name_____

Signature_____

Print Name_____

EXHIBIT 2
TO THE RUSH COFFEE FRANCHISE AREA DEVELOPMENT AGREEMENT
DEVELOPMENT SCHEDULE

Fees. The Development Fee is \$17,000 per additional franchise. The development fee is payable 1/2 upon signing the Area Developer Agreement and 1/2 upon signing the franchise agreement for the additional territory.

Development Schedule (Section 3). Developer agrees to establish and operate a total of _____ The Rush Coffee Franchised Businesses in accordance with the timetable set forth below.

The Cumulative Minimum Number of The Rush Coffee Franchised Businesses required in Compliance by Each Opening Deadline	Deadline from the Effective Date

Ownership of Developer (Section 7.2(a)). If the Developer is an Entity, the following persons constitute all of the owners holding a legal and/or beneficial interest in the Developer:

<u>Name</u>	<u>Percentage Ownership</u>
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

**FRANCHISOR: THE RUSH COFFEE FRANCHISE
GROUP, LLC**

FRANCHISEE:

Signature:_____

Signature:_____

Name:_____

Name:_____

Title:_____

Title:_____

Date:_____

Date:_____

INDIVIDUAL FRANCHISEE:

INDIVIDUAL FRANCHISEE:

Signature

Signature

Print Name

Print Name

Date:_____

Date:_____



EXHIBIT C
TO THE RUSH COFFEE FRANCHISE DISCLOSURE DOCUMENT

PERSONAL GUARANTY

PERSONAL GUARANTY

As an inducement for The Rush Coffee Franchise Group LLC ("Franchisor") to enter into a The Rush Coffee franchise agreement and any powers of attorney and other instruments dated concurrently with this one (collectively, the "Franchise Documents") between Franchisor and the business entity identified below ("Franchisee"), the individual(s) who sign this document (the "Guarantor(s)") jointly and severally personally guarantee: (i) the timely payment to Franchisor of all Royalty Fees, late fees, interest charges, and all other fees and charges provided for under the Franchise Documents; and (ii) the timely performance of all of the provisions of the Franchise Documents for and during the relevant term (including all renewals, if any).

Guarantors further agree to be individually bound by all of Franchisee's covenants, obligations, and commitments contained in each of the Franchise Documents to the same extent as if each of the Guarantors had individually executed such documents as the Franchisee.

Guarantors understand and agree that any modification or waiver of the Franchise Documents by Franchisor, or the giving by Franchisor of any extension of time for the performance of any of the Franchisee's obligations under any of the Franchise Documents, shall not release Guarantors from liability or terminate, modify, or diminish the validity of this Guaranty. At all times, therefore, Guarantor(s) shall have the same liability, or lack of liability, as does the Franchisee.

Guarantor(s) also waive: (i) any right to receive notice of any modification, waiver, extension, or forbearance under the terms of any of the Franchise Documents; (ii) any right to receive notice of any default on the Franchisee's part; and (iii) exhausting of recourse against any Franchisee.

Guarantor(s) consent to any assignment/transfer of the Franchise Documents by Franchisee, without a right to receive notice of such assignments/transfers.

Guarantors agree to pay all costs, including reasonable attorneys' fees, incurred by Franchisor to collect or otherwise enforce the terms of the Franchised Documents, including this Guaranty.

This Guaranty has been delivered to Guarantor in the state where the Franchised Business is located and shall be construed and enforced in accordance with the laws of that state. Jurisdiction in any action to enforce this Guaranty shall be in the state where the Franchised Business is located, with venue located in the nearest courthouse to the Franchised Business. Guarantor(s) consent to the exercise of personal jurisdiction by any such court and waive any defense of lack of personal jurisdiction or improper venue.

GUARANTOR

GUARANTOR

Printed Name, an individual

Printed Name, an individual

FRANCHISEE

Signature_____

Name:_____

Title:_____

Date:_____



EXHIBIT D

TO THE RUSH COFFEE FRANCHISE DISCLOSURE DOCUMENT

RESTRICTIVE COVENANT AGREEMENT

RESTRICTIVE COVENANT AGREEMENT

This Restrictive Covenant Agreement ("Agreement") is made and entered into on the dates set forth below by and between _____ ("Franchisee") and _____, an individual residing in the State of _____ ("Covenantor"). Franchisee and Covenantor may be collectively referred to in this Agreement as the "Parties," or individually as a "Party."

RECITALS

- A. On _____, Franchisee entered into a Franchise Agreement with The Rush Coffee Franchise Group LLC ("Franchisor") granting Franchisee a franchise to operate a franchised business under Franchisor's system and proprietary marks (the "Franchised Business").
- B. Covenantor is the owner (or spouse of the owner) of the Franchisee.
- C. Franchisor has dedicated time, skill, effort, and money to create and develop a system for the establishment and operation of a distinctive type of vehicle-based business that offers premiere coffee, espresso drinks, specialty smoothies, Italian sodas, teas, shaved ice, other beverages, baked goods, and desserts, and which includes, without limitation, unique sales and marketing methods, pricing techniques, promotional materials, new product development, financial information, and procedures for the efficient operation of the Franchised Business (the "System").
- D. Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including but not limited to, the mark "THE RUSH COFFEE," and such other trade names, service marks, and trademarks as are now designated or may later be designated or substituted by Franchisor, for use in connection with the System (the "Mark(s)").
- E. Covenantor acknowledges that the System represents Franchisor's below-defined Confidential Information and consists of various trade secrets, all of which Covenantor will have broad access to.
- F. As a condition precedent to granting the Franchised Business to Franchisee, all shareholders, officers, partners, managing members, and members of Franchisee must execute the covenants contained in this Agreement.

Based on the foregoing, and as a material inducement for granting Franchisee a license to operate the Franchised Business, Covenantor agrees and covenants to Franchisee as follows:

1. **Confidentiality.** Covenantor acknowledges the proprietary and confidential nature of Franchisor's Operating Manual, which Franchisee has received on loan from Franchisor, as well as the importance of keeping all of the following Confidential Information strictly confidential: (a) unique sales and marketing methods; (b) pricing techniques; (c) promotional materials; (d) information relating to new product development; (e) financial information; (f) customer lists; (g) procedures for the efficient operation of the Franchised Business; and (h) a variety of other methods, procedures, processes, techniques, information, knowledge, and know-how concerning the System (the Confidential Information also constitutes Franchisor's "Trade Secrets," which Franchisor has worked hard to keep protected from competitors). Covenantor shall use such Trade Secrets solely for Franchisee's benefit, and shall never communicate, divulge, or use any Trade Secrets to or for the benefit of any other person, entity, or organization.

2. **Proprietary Marks.** Covenantor acknowledges Franchisor's right, title, and interest in and to the Marks, and thus agrees that any use of the Marks outside the scope of the Franchise Agreement without Franchisor's prior written consent would constitute an infringement of Franchisor's exclusive ownership rights in and control over the Marks. Covenantor, therefore, expressly covenants that he or she shall not, directly or indirectly, commit an act of infringement or contest the validity or ownership of the Marks. Covenantor further acknowledges that his or her violation of any of the covenants contained in this Agreement relating to the System or the Marks would result in irreparable injury to Franchisor and/or Franchisee for which no adequate remedy at law may be available, and accordingly consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred, by Franchisor or Franchisee in obtaining an injunction enjoining any conduct by Covenantor prohibited by the terms of this Agreement. This remedy shall be in addition to any and all other remedies that may be available to Franchisor or Franchisee.

3. **Non-Competition.** Covenantor covenants and agrees that unless otherwise approved in writing by Franchisor, during the term of the Franchise Agreement, upon the transfer, expiration, or termination of the Franchise Agreement, and for a period of two years after such transfer, expiration, or termination, Covenantor shall not compete directly or indirectly—either as an employee, owner, manager, shareholder, member, or partner, or through any of the same—within 25 air miles of Franchisor or any of Franchisor's other franchisees, in any business that primarily offers/sells coffee, espresso drinks, smoothies, sodas, teas, shaved ice, other beverages, baked goods, and desserts, or any other products or services that are offered in the Franchised Business. Covenantor further acknowledges and agrees to the following:

3.1. Covenantor acknowledges and agrees that the non-competition activities prohibited in this sub-section, including the length of the term and the extent of the geographic restrictions, are necessary, fair, and reasonable to protect Franchisor's legitimate business interests, and do not therefore constitute overreaching, duress, or coercion on Franchisor's part. Covenantor further acknowledges and agrees that Covenantor's full, uninhibited, and faithful observance of each of the covenants contained in this Agreement, including the non-compete provisions will not cause any undue hardship, financial or otherwise. Likewise, Covenantor acknowledges and agrees that enforcement by Franchisor of these covenants will not impair Covenantor's ability to obtain employment commensurate with Covenantor's abilities and on terms fully acceptable to Covenantor, or otherwise to obtain income required for Covenantor's support (or the support of the individual members, shareholders, and partners of Covenantor, if applicable). Covenantor's special knowledge of the Franchised Business is such as would cause Franchisor and its other franchisees serious injury and loss if it (or anyone acquiring such knowledge through Covenantor) were to use such knowledge to the benefit of a competitor or were to directly compete with Franchisor or any of its franchisees.

3.2. The Parties intend that the covenants contained in this particular sub-section be treated as a series of separate covenants, one for the geographic limitation generally, and one for each month of the two years identified as the non-competition period. If, therefore, in any judicial proceeding, a court refuses to enforce all of the separate covenants set forth in this section, then such unenforceable covenants shall be deemed eliminated from the provisions of this Agreement for the purpose of such proceeding to the extent necessary to permit the remaining separate covenants to be enforced. Likewise, if in any judicial proceeding, a court shall refuse to enforce any one or more of such separate covenants because the total time or mileage identified above is deemed to be excessive or unreasonable, then it is the intent of the Parties that such covenants—which would otherwise be unenforceable as a result of the court's ruling as to the

unreasonableness of the period of time or mileage—be enforced for such lesser period of time or mileage as the court deems reasonable.

3.3. The provisions of this sub-section shall not apply to the beneficial ownership by Covenantor of less than 5% of the outstanding equity securities of any corporation whose securities are registered under the Securities and Exchange Act of 1934.

3.4. The provisions of this sub-section shall survive the expiration, termination, or cancellation of this Agreement.

4. **Non-Solicitation.** Covenantor covenants and agrees that unless otherwise approved in writing by Franchisor, during the term of the Franchise Agreement, upon the transfer, expiration, or termination of the Franchise Agreement, and for a period of two years after such transfer, expiration, or termination, Covenantor shall not directly or indirectly—either as an employee, owner, manager, shareholder, member, or partner, or through any of the same—divert any business or customer of the Franchised Business or of any other of Franchisor's franchisees, to any competitor, nor do or perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

5. **Severability.** The Parties agree that each of the covenants contained in this Agreement shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant contained in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction, Covenantor expressly agrees to be bound by any lesser covenants subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenants were separately stated in and made a part of this Agreement.

6. **Effect.** This Agreement shall be binding upon and inure to the benefit of the Parties and their respective legal representatives, successors, and assigns.

7. **Construction.** The Parties agree that this Agreement shall be deemed to have been entered into in and shall be governed by and construed in accordance with the laws of the state of where the Franchised Business is located.

8. **Jurisdiction.** Except to the extent governed by the Lanham Act (15 U.S.C. 1051 et seq.) relating to the Marks, and unless otherwise prohibited by any applicable law, Covenantor agrees that all suits, actions, or other proceedings with respect to, arising out of, or in connection with this Agreement, shall be heard and determined in a court located in San Diego, California. Covenantor therefore consents and agrees that the courts located in the State of California, County of San Diego, shall have personal jurisdiction over Covenantor in all lawsuits relating to or arising out of this Agreement. If Covenantor is located outside of the State of California, Covenantor agrees that Covenantor may be served with process via certified mail, and Covenantor waives any defense it may have of insufficiency of service of process relating to such service. This method of service shall not be the exclusive method of service available in such lawsuits and shall be available in addition to any other method of service allowed by law.

9. **Attorneys' Fees.** In any legal action to enforce or interpret the provisions of this Agreement, the prevailing Party shall be entitled to its attorneys' fees and costs.

10. **Franchisor Third-Party Beneficiary.** Covenantor and Franchisee acknowledge and intend that the covenants contained in this Agreement shall directly benefit Franchisor and its affiliates, who shall be third-party beneficiaries, and independently entitled to enforce the provisions of this Agreement.

The Parties, independently or through their authorized representatives, have executed this Agreement as of the dates set forth below.

Date_____

Date_____

FRANCHISEE

COVENANTOR

Signature_____

Signature_____

Name_____

Name_____

Title_____



EXHIBIT E

TO THE RUSH COFFEE FRANCHISE DISCLOSURE DOCUMENT

POWER OF ATTORNEY TO ASSIGN TELEPHONE NUMBER

POWER OF ATTORNEY TO ASSIGN TELEPHONE NUMBER

The franchisee who signs below ("Assignor") irrevocably appoints the franchisor, The Rush Coffee Franchise Group LLC ("Assignee"), as its lawful attorney-in-fact and agent to act for and in the name of Assignor for the purpose of executing, acknowledging, certifying, delivering, accepting, recording, and filing all such agreements, certificates, instruments, and documents that Assignee believes are necessary to effectuate a transfer to Assignee of all of Assignor's rights, title, and interest in and to any and all telephone numbers of Assignor's related The Rush Coffee franchised business(es). This irrevocable Power of Attorney grants Assignee the unfettered right to do all things that Assignor is permitted to do with respect to the phone numbers associated in any way with The Rush Coffee franchised business(es).

While this Power of Attorney is in effect, and regardless of whether Assignor has designated any other person to act as its attorney-in-fact and agent, no person, firm, or corporation dealing with Assignee will be required to ascertain the authority of Assignee, nor to see to the performance of the agency, nor be responsible in any way for the proper application of funds or property paid or delivered to Assignee. Any person, firm, or corporation dealing with Assignee shall be fully protected in acting and relying on a certificate of Assignee that this Power of Attorney on the date of such certificate has not been revoked and is in full force and effect, and Assignor will not take any action against any person, firm, or corporation acting in reliance on such a certificate or a copy of this Power of Attorney. Any instrument or document executed on behalf of Assignor by Assignee will be deemed to include such a certificate on the part of Assignee, whether or not expressed. This paragraph will survive any termination of this Power of Attorney.

This power of Attorney will self-terminate two years following the expiration or termination of the Franchise Agreement between the Assignee and Assignor. Such termination, however, will not affect the validity of any act or deed that the Assignee may have affected prior to the date of termination.

This document is to be construed and interpreted as an irrevocable Power of Attorney coupled with an interest. It is executed and delivered in the state where the franchised business is located, and the laws of the state of where the franchised business is located and will govern all questions as to the validity of this Power of Attorney and the construction of its provisions.

ASSIGNOR (Franchisee)

STATE OF _____, COUNTY OF _____,
Ss.

Name of Franchisee

Signature: _____

Name: _____

Title: _____

Acknowledged and subscribed before me, a Notary
Public in and for said County and State, this _____
day of _____.

NOTARY PUBLIC



EXHIBIT F

TO THE RUSH COFFEE FRANCHISE DISCLOSURE DOCUMENT

STATE FRANCHISE REGULATORS AND
AGENTS FOR SERVICE OF PROCESS

STATE FRANCHISE REGULATORS

California

Department of Financial Protection and Innovation
2101 Arena Boulevard
Sacramento, CA 95834
1-866-275-2677

Connecticut

Securities & Business Investments Division
Department of Banking
260 Constitution Plaza
Hartford, CT 06103-1800
(860) 240-8230

Florida

Dept. of Agriculture and Consumer Services
Division of Consumer Services
227 N. Burrough Street
City Centre Building, 7th Floor
Tallahassee, FL 32301
(904) 922-2770

Georgia

Governor's Office of Consumer Affairs
2 Martin Luther King, Jr. Drive SE
356 West Tower
Atlanta, GA 30334-4600
(404) 651-8600

Hawaii

Dept. of Commerce & Consumer Affairs
Business Registration Division
1010 Richards Street
Honolulu, HI 96813
(808) 586-2021

Illinois

Office of the Attorney General
Franchise Division
500 South Second Street
Springfield, IL 62706
(217) 782-4465

Indiana

Indiana Securities Division
302 West Washington Street
Room E111
Indianapolis, IN 46204
(317) 232-6681

Kentucky

Office of the Attorney General
Consumer Protection Division
P.O. Box 2000
Frankfort, KY 40602-2000
(502) 573-2200

Louisiana

Office of the Attorney General
Consumer Protection Section
PO Box 94005
Baton Rouge, LA 70804-9005
(225) 326-6460

Maryland

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

Michigan

Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
670 Law Building
Lansing, MI 48913
(517) 373-7117

Minnesota

Department of Commerce
Registration Division
85 7th Place East, Suite 500
St. Paul, MN 55101-2198
(651) 296-4026

Nebraska

Dept. of Banking & Finance
1200 N Street, Suite 311
P.O. Box 95006
Lincoln, NE 68509
(402) 471-3445

New York

NYS Department of Law
Investor Protection Bureau
28 Liberty St. 21st Fl
New York, NY 10005

212-416-8236

North Carolina

Department of the Secretary of State
Securities Division
300 N. Salisbury Street
Raleigh, NC 27603-5909
(919) 733-3924

North Dakota

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

Rhode Island

Department of Business Regulation
Securities Division
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, RI 02910
(401) 462-9587

South Carolina

Secretary of State
1205 Pendleton Street
525 Edger Brown Building
Columbia, SC 29201
(803) 734-1958

South Dakota

Dept. of Labor and Regulations
Division of Securities
124 S. Euclid, Suite 104
Pierre, SD 57501
(605) 773-48233

Texas

Secretary of State
Statutory Document Section
P.O. Box 13563
Austin, TX 78711
(513) 475-1769

Utah

Department of Commerce
Division of Consumer Protection
160 East 300 South
P.O. Box 45804
Salt Lake City, UT 84145-0804
(801) 530-6601

Virginia

State Corporation Commission
Division of Securities & Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9276

Washington

Department of Financial Institutions
Securities Division
150 Israel Road, SW
Tumwater, WA 98501
(360) 902-8760

Wisconsin

Department of Financial Institutions
Division of Securities
345 West Washington Avenue, 4th Floor
Madison, WI 53703
(608)266-1064

AGENTS FOR SERVICES OF PROCESS

California

Commissioner of Department of Financial
Protection and Innovation
2101 Arena Boulevard
Sacramento, CA 95834

Hawaii

Commissioner of Securities
335 Merchant Street, Room 203
Honolulu, HI 96813

Illinois

Illinois Attorney General
500 South Second Street
Springfield, IL 62706

Indiana

Administrative Office of the Secretary of State
201 State House
Indianapolis, IN 46204

Maryland

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

Minnesota

Minnesota Commissioner of Commerce
85 7th Place East, Suite 500
St. Paul, MN 55101-2198

New York

NYS Department of Law
Investor Protection Bureau
28 Liberty St. 21st Fl
New York, NY 10005

212-416-8285

North Dakota

Securities Commissioner
5th Floor, 600 East Boulevard
Bismarck, ND 58505-0510

Rhode Island

Dept. of Business Regulation
Securities Division
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, RI 02910

South Dakota

Division of Securities
Dept. of Labor and Regulations
124 S. Euclid Suite 104
Pierre, SD 57501

Virginia

Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, VA 23219

Washington

Director of Dept. of Financial Institutions
Security Division
150 Israel Rd SW
Tumwater WA 98501

Wisconsin

Commissioner of Securities
101 East Wilson Street
Madison, WI 53703



EXHIBIT G
TO THE RUSH COFFEE FRANCHISE DISCLOSURE DOCUMENT
.
LIST OF FRANCHISEES

THE RUSH COFFEE FRANCHISEES AS OF DECEMBER 31, 2022

State	City	Address	Name	Telephone
TX	Liberty Hill	259 Zuma Drive Liberty Hill, TX 78642	George Hadden	(760) 208-3734
CA	Valley Center	27717 Heritage Lane Valley Center, CA 92082	Chari Myers (CK Myers Enterprises, LLC)	(760) 348-8989
CA	Murrieta	23581 Wickham Lane Murrieta, CA 92562	Cheryl Northup (Buckets of Water)	(619) 990-7527



EXHIBIT H
TO THE RUSH COFFEE FRANCHISE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES THAT LEFT THE SYSTEM

No franchisees left the system during the most recently completed fiscal year, and Franchisor has communicated with all franchisees within 10 weeks of the date this disclosure document was issued.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.



EXHIBIT I
TO THE RUSH COFFEE FRANCHISE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

Franchisor has not been in business for three years or more; and therefore cannot include all financial statements required.

THE RUSH COFFEE FRANCHISE GROUP, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

THE RUSH COFFEE FRANCHISE GROUP, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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Independent Auditor's Report

To the Members
The Rush Coffee Franchise Group, LLC

Opinion

We have audited the accompanying financial statements of The Rush Coffee Franchise Group, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and members' equity, and cash flows for the year ended December 31, 2022 and the period June 11, 2021 (date of inception) to December 31, 2021, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Rush Coffee Franchise Group, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the year ended December 31, 2022 and the period June 11, 2021 (date of inception) to December 31, 2021 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 Rush Coffee Franchise Group, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Rush Coffee Franchise Group, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 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 Rush Coffee Franchise Group, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Rush Coffee Franchise Group, LLC's ability to continue as a going concern for a reasonable period of time.

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

Velez & Hardy

April 7, 2023
Las Vegas, NV

THE RUSH COFFEE FRANCHISE GROUP, LLC
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash	\$ 20,317	\$ 22,026
Accounts receivable	<u>1,515</u>	<u>1,680</u>
Total current assets	21,832	23,706
Property and Equipment, net	<u>19,164</u>	<u>-</u>
Total Assets	<u><u>\$ 40,996</u></u>	<u><u>\$ 23,706</u></u>
 LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities:		
Deferred franchise fees, current	<u>\$ 4,000</u>	<u>\$ -</u>
Long-Term Liabilities:		
Deferred franchise fees, net of current	<u>12,000</u>	<u>-</u>
Total Liabilities	16,000	-
Members' Equity	<u>24,996</u>	<u>23,706</u>
Total Liabilities and Members' Equity	<u><u>\$ 40,996</u></u>	<u><u>\$ 23,706</u></u>

See accompanying notes to the financial statements.

THE RUSH COFFEE FRANCHISE GROUP, LLC
STATEMENTS OF INCOME AND MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022 AND THE PERIOD
JUNE 11, 2021 (DATE OF INCEPTION) TO DECEMBER 31, 2021

	2022	2021
Revenue	\$ 23,146	\$ 5,789
Cost of Revenue	8,016	3,244
Gross Profit	15,130	2,545
Operating Expenses:		
Advertising	4,370	-
Depreciation	2,412	-
Office expense and other	131	262
Professioanl fees	6,077	11,552
Taxes and licenses	800	25
Total operating expenses	13,790	11,839
Net Income (Loss)	1,340	(9,294)
Members' Equity, Beginning of Period	23,706	-
Member contributions	-	33,000
Member distributions	(50)	-
Members' Equity, End of Period	\$ 24,996	\$ 23,706

See accompanying notes to the financial statements.

THE RUSH COFFEE FRANCHISE GROUP, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022 AND THE PERIOD
JUNE 11, 2021 (DATE OF INCEPTION) TO DECEMBER 31, 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Net income (loss)	\$ 1,340	\$ (9,294)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	2,412	-
Changes in:		
(Increase) decrease in accounts receivable	165	(1,680)
Increase (decrease) in deferred franchise fees	16,000	-
Net cash provided by (used in) operating activities	<u>19,917</u>	<u>(10,974)</u>
Cash Flows From Financing Activities:		
Member contributions	-	33,000
Member distributions	(50)	-
Net cash provided by (used in) financing activities	<u>(50)</u>	<u>33,000</u>
Net Change in Cash	(1,709)	22,026
Cash, Beginning of Period	<u>22,026</u>	<u>-</u>
Cash, End of Period	<u><u>\$ 20,317</u></u>	<u><u>\$ 22,026</u></u>

See accompanying notes to the financial statements.

THE RUSH COFFEE FRANCHISE GROUP, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Rush Coffee Franchise Group, LLC (the “Company”) is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of the Business

The Company was organized on June 11, 2021 under the laws of the state of California. The Company’s franchises offer premiere coffee, espresso drinks, specialty smoothies, italian sodas, teas, and assorted pastries baked fresh daily from local bakeries.

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

Use of Estimates in Preparation of Financial Statements

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

Cash and Cash Equivalents

The Company considers all highly liquid investments available for current use with original maturity of three months or less to be cash equivalents.

Accounts Receivable

The Company’s receivables are primarily generated from ongoing business relationships with franchisees as a result of franchise agreements.

Accounts receivable is stated at the amount the Company expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

THE RUSH COFFEE FRANCHISE GROUP, LLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable (Continued)

As of December 31, accounts receivable consisted of the following balances:

	2022	2021
Accounts receivable	\$ 1,515	\$ 1,680
Allowance for doubtful accounts	-	-
	<u>\$ 1,515</u>	<u>\$ 1,680</u>

Revenue Recognition

The Company executes franchise agreements for each franchise which set out the terms of the agreement with the franchisee. Franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales or a percentage fee for each single unit franchise awarded. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration.

The Company has determined that the services provided in exchange for initial franchise fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, initial franchise fees are recognized as revenue over the term of each respective franchise agreement. Revenues for these initial franchise fees are recognized on the straight-line basis, which is consistent with the franchisee's right to use and benefit from intellectual property.

The Company's contract liabilities are comprised of unamortized initial franchise fees. As of December 31, deferred franchise fees consisted of the following:

	2022	2021
Deferred franchise fees	\$ 16,000	\$ -
Less: current maturities	(4,000)	-
	<u>\$ 12,000</u>	<u>\$ -</u>

As of December 31, the Company expects to recognize contract liabilities as revenue over the remaining term of the associated franchise agreements as follows:

2023	\$ 4,000
2024	4,000
2025	4,000
2026	4,000
	<u>\$ 16,000</u>

Continuing fees are recognized monthly, as they are earned.

THE RUSH COFFEE FRANCHISE GROUP, LLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising costs are expensed when incurred or the first time such advertisement appears. For the years ended December 31, 2022 and 2021, total advertising costs were \$4,370 and \$0, respectively.

Income Taxes

As a limited liability company, the Company's taxable income or loss is allocated to the members. Therefore, no provision or liability for federal or state income taxes has been included in the accompanying financial statements.

No provision or liability for materially uncertain tax positions was deemed necessary by management. Therefore, no provision or liability for uncertain tax positions has been included in these financial statements.

As of December 31, 2022, the tax years subject to potential examination by taxing authorities begin with the year ended December 31, 2021.

NOTE 2 – PROPERTY AND EQUIPMENT

As of December 31, property and equipment consisted of the following:

	2022	2021
Equipment	\$ 11,576	\$ -
Vehicle	10,000	-
	21,576	-
Less: accumulated depreciation	(2,412)	-
	<u>\$ 19,164</u>	<u>\$ -</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$2,412 and \$0, respectively.

NOTE 3 – REVENUE RECOGNITION

As of December 31, the timing and recognition of revenue was as follows:

	2022	2021
Services transferred at a point in time	\$ 19,146	\$ 5,789
Services transferred over time	4,000	-
	<u>\$ 23,146</u>	<u>\$ 5,789</u>

Various economic factors such as supply and demand, laws and policies and labor affect revenues and cash flows. The Company's revenue is derived from sources within the United States.

THE RUSH COFFEE FRANCHISE GROUP, LLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

NOTE 4 – MANAGEMENT’S REVIEW OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 7, 2023, the date on which the financial statements were available to be issued. No other events were identified that required adjustment or disclosure in the financial statements.



EXHIBIT J
TO THE RUSH COFFEE FRANCHISE DISCLOSURE DOCUMENT
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The Rush Coffee Franchisee Operating Manual

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EXHIBIT K
TO THE RUSH COFFEE FRANCHISE DISCLOSURE DOCUMENT
STATE SPECIFIC ADDENDUMS

CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT:

1. 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. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit is deferred until that unit is open.
2. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise to be delivered together with the franchise disclosure document 14 days prior to execution of the agreement.
3. The highest interest rate allowed by law in California is 10% annually.
4. Neither the franchisor, nor any person or franchise broker identified in Item 2 of the UFOC, 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.
5. California Business and Professions Code section 20000 through 20043 provides rights to the franchisee concerning termination, transfer, or nonrenewal of a franchise. If the Franchise Agreement and Area Development Agreement contain a provision that is inconsistent with the law, the law will control.
6. The Franchise Agreement and Area Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 et seq.).
7. The Franchise Agreement and Area Development Agreement contain a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
8. To the extent that the Franchise Agreement and Area Development Agreement contain a liquidated damages clause, California Civil Code section 1671 prohibits enforcement of certain liquidated damages clauses.
9. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Bus. and Prof. Code, § 20040.5, Code of Civ. Proc., § 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement and Area Development Agreement that seek to restrict venue to a forum outside the State of California.
10. The Franchise Agreement and Area Development Agreement require the application of the laws of where the Franchised Business is located. This provision may not be enforceable under California law.
11. California Corporations Code section 31125 requires us to give you a disclosure document in a form containing the information that the commissioner may, by rule or order, require before a solicitation of a proposed material modification of an existing franchise.
12. You must sign a general release 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 §§31000 through 31516). Business and Professions Code section 20010 voids a waiver of your rights under the Franchise Relations Act. (Business and Professions Code §§ 20000 through 20043).
13. The financial performance representations does (do) not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the Gross Revenue or gross sales figures to obtain your net

income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Franchised Business. Franchisees or former franchisees listed in the offering circular may be one source of this information.

14. Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the contents of the website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

15. Each owner of the franchise is required to execute a personal guaranty. Doing so could jeopardize the marital assets of non-owner spouses domiciled in community property states, such as California.

16. Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner of the California Department of Financial Protection and Innovation.

CALIFORNIA STATE ADDENDUM TO THE FRANCHISE AGREEMENT

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

HAWAII ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT:

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Hawaii Franchise Investment Law:

1. In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E et seq., the Franchise Agreement is amended as follows:

(a) The Hawaii Franchise Investment Law provides rights to you concerning non-renewal, termination, and transfer of the Franchise Agreement. If the Franchise Agreement contains a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.

(b) A general release required as a condition of the renewal, assignment, or transfer of the Franchise Agreement or the franchise shall not apply to any claim or liability arising under the Hawaii Franchise Investment Law.

2. Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently of this addendum. To the extent, this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this addendum shall control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The Parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISOR:

THE RUSH COFFEE FRANCHISE GROUP LLC

FRANCHISEE:

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Illinois Franchise Disclosure Act of 1987, as amended, and the Illinois Disclosure Rules and Regulations:

1. 815 ILCS 705/41 provides that any condition, stipulation, or provision in the Franchise Agreement that requires you to waive any of your rights under, or the Franchisor's obligation to comply with any provision of, the Illinois Franchise Disclosure Act of 1987, as amended, the Illinois Disclosure Rules and Regulations, or any other law of Illinois, is void.
2. Non-renewal of your franchise must comply with 815 ILCS 705/20. Termination of your franchise must comply with 815 ILCS 705/19.
3. Any provision in the Franchise Agreement that requires the application of the laws of another state is void with respect to a claim otherwise enforceable under the Illinois Franchise Disclosure Act.
4. Any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void with respect to any cause of action which is otherwise enforceable in Illinois.
5. The venue provisions found in section XXIII(F) of the Franchise Agreement and XI(E) of the Area Development Agreement are modified in part to state that:

“ . . . Franchisee agrees that all suits, actions, or other proceedings with respect to, arising out of, or in connection with this Agreement, shall be heard and determined in a court located in San Diego, California, or if the Franchised Business is located in the State of Illinois, then it may be heard and determined there as well.”

6. To the extent that any part of this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the provisions of this addendum control.

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT AND OTHER AGREEMENTS

The Franchise Agreement to which this addendum is attached is amended to the extent necessary to abide by the following, all of which are required under the Illinois Franchise Disclosure Act of 1987, as amended, and the Illinois Disclosure Rules and Regulations:

1. Franchisee's rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
2. A general release required as a condition of renewal, assignment, or transfer does not apply to any claim or liability arising under the Illinois Franchise Disclosure Act.
3. Any provision in the Franchise Agreement or this addendum that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Illinois is void with respect to a claim otherwise enforceable under the Illinois Franchise Disclosure Act.
4. Illinois law governs the Franchise Agreement.
5. Under Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

The Parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISOR:

THE RUSH COFFEE FRANCHISE GROUP LLC

FRANCHISEE:

By: _____

Its: _____

Date: _____

By: _____

Its: _____

Date: _____

INDIANA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law:

1. THE STATE OF INDIANA HAS STATUTES THAT MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE [INDIANA CODE §§ 23-2-2.5-1 THROUGH 23-2-2.5-50]. THIS STATE ALSO HAS COURT DECISIONS THAT MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. THE STATE OF INDIANA HAS A STATUTE THAT RESTRICTS OR PROHIBITS THE IMPOSITION OF LIQUIDATED DAMAGE PROVISIONS [INDIANA CODE §23-2-2.7(10)]. A PROVISION IN THE FRANCHISE AGREEMENT THAT TERMINATES THE FRANCHISE UPON THE BANKRUPTCY OF THE FRANCHISEE MAY NOT BE ENFORCEABLE UNDER FEDERAL BANKRUPTCY LAW [11 U.S.C. SECTION 101 ET SEQ.].
2. A general release required as a condition of renewal, assignment, or transfer shall not apply to any claim or liability arising under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law.
3. The Franchise Agreement does not expressly give you the right to terminate the Franchised Business if Franchisor commits a substantial breach, but Indiana law may give you that right.
4. Any provision in the Franchise Agreement that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Indiana is void with respect to a claim otherwise enforceable under the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Law.
5. In the event of a conflict of laws, the provisions of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law will prevail.
6. To the extent that this addendum is inconsistent with any terms or conditions of the franchise offering circular, the Franchise Agreement, or any of their exhibits or attachments, the terms of this addendum shall control.

INDIANA ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as necessary to comply with the following requirements of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law.

1. A general release required as a condition of renewal, assignment, or transfer shall not apply to any claim or liability arising under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law.
2. Any provision in the Franchise Agreement that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Indiana is void with respect to a claim otherwise enforceable under the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Law.
3. In the event of a conflict of laws, the provisions of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law shall prevail.
4. Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law are met independently of this addendum. To the extent that this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this addendum shall control. Franchisor and Franchisee otherwise ratify and affirm the Franchise Agreement in all other respects.

The Parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISOR:

THE RUSH COFFEE FRANCHISE GROUP LLC

FRANCHISEE:

By: _____

Its: _____

Date: _____

By: _____

Its: _____

Date: _____

MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Maryland Franchise Registration and Disclosure Law:

ITEM 17

1. The general release required as a condition of renewal, assignment, or transfer does not apply to any claims that arise under the Maryland Franchise Registration and Disclosure Law.
2. The Franchise Agreement provision that provides for termination upon Franchisee's bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).
3. Franchisee may sue Franchisor in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
4. If the Franchise Agreement contains a binding arbitration provision, it may not be enforceable. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland. In light of the Federal Arbitration Act, there is some dispute as to whether such a requirement is legally enforceable.
5. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

MARYLAND ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT

The Franchise Agreement and Area Development Agreement to which this addendum is attached are amended as follows to comply with the Maryland Franchise Registration and Disclosure Law:

1. A general release required as a condition of renewal, sale, assignment, or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
3. If the Franchise Agreement contains a binding arbitration provision, it may not be enforceable. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland. In light of the Federal Arbitration Act, there is some dispute as to whether such a requirement is legally enforceable.
4. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.
5. All representations requiring prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to, nor shall they act as a, release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
6. Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently of this addendum. To the extent that this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this addendum shall control. Franchisor and Franchisee ratify and affirm the Franchise Agreement in all other respects.

The Parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISOR:
THE RUSH COFFEE FRANCHISE GROUP LLC

FRANCHISEE:

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

FOR RESIDENTS OF THE STATE OF MICHIGAN

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

1. A prohibition on your right to join an association of franchisees.
2. A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided under Michigan's franchise laws. This shall not preclude a franchise, after entering into a franchise agreement, from settling any and all claims.
3. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for a good cause. Good cause shall include your failure: (a) to comply with any lawful provision of the Franchise Agreement; and (b) cure such failure after being given written notice and a reasonable opportunity to do so (which in no event need be more than 30 days).
4. 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: (a) the term of the franchise is less than 5 years; and (b) 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 another 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.
5. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
6. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude a franchisee from entering into an agreement, at the time of arbitration, to conduct an arbitration at a location outside this state.
7. A provision that permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for a good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. In such cases, good cause shall include without limitation:
 - (a) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
 - (b) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.
 - (c) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (d) 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.

8. 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 paragraph three above.

9. A provision that 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.

10. If the Franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the Franchisee may request the Franchisor to arrange for the escrow of initial investment and other funds paid by the Franchisee until the obligations, if any, of the Franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the Franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding the notice of this offering on file with the attorney general should be directed to the Department of Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913 (517) 373-7117.

To the extent that this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this addendum shall control.

MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Minnesota Franchise Law:

1. The Minnesota Department of Commerce requires that franchisors indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes trademark rights of the third party. The franchisor is not, however, obligated to indemnify a franchisee against the consequences of the franchisee's use of the franchisor's trademark except in accordance with the requirements of the franchise.
2. Minnesota Rules, 1989, Department of Commerce, Chapter 2860, Section 4400D prohibits a franchisor from requiring a franchisee to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statutes 1973 Supplement, Section 80C.01 to 80C.22. That provision, however, does not bar the voluntary settlement of disputes.
3. Minn. Rule 2860.4400J states that it is unfair and inequitable for a franchisor to require a franchisee to waive his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of Minnesota, or to consent to liquidated damages, termination penalties, or judgment notes. Any language found in the disclosure document or Franchise Agreement contrary to this rule is amended so that it does not apply to Minnesota franchisees.
4. THE STATE OF MINNESOTA HAS STATUTES THAT MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. THE STATE OF MINNESOTA ALSO HAS COURT DECISIONS THAT MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. WITH RESPECT TO FRANCHISES GOVERNED BY MINNESOTA LAW, THE FRANCHISOR MUST COMPLY WITH MINNESOTA STATUTE 80C.14, SUBDIVISIONS 3, 4, AND 5, WHICH REQUIRE, EXCEPT IN CERTAIN SPECIFIC CASES, THAT A FRANCHISEE BE GIVEN 90 DAYS NOTICE OF TERMINATION (WITH 60 DAYS TO CURE) AND 180 DAYS NOTICE FOR NONRENEWAL OF THE FRANCHISE AGREEMENT. A PROVISION IN THE FRANCHISE AGREEMENT THAT TERMINATES THE FRANCHISE UPON THE BANKRUPTCY OF THE FRANCHISEE MAY NOT BE ENFORCEABLE UNDER FEDERAL BANKRUPTCY LAW (11 U.S.C. SECTION 101 ET SEQ.). THE STATE OF MINNESOTA HAS COURT DECISIONS LIMITING THE FRANCHISOR'S ABILITY TO RESTRICT YOUR ACTIVITY AFTER THE FRANCHISE AGREEMENT HAS ENDED. LIQUIDATED DAMAGE PROVISIONS ARE VOID UNDER MINNESOTA LAW.
5. Under Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, the requirement that all litigation must take place in California shall not in any way abrogate or reduce any rights of the franchise as provided for in Minnesota Statutes, Chapter 80C.
6. With respect to franchises governed by Minnesota law, and as stated in item four above, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5, which require, except in certain specified cases, that a franchisee is given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the franchise agreement.
7. To the extent, this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this addendum shall control.

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Minnesota Franchise Law:

1. A general release required as a condition of renewal, assignment, or transfer does not apply to any claim or liability arising under the Minnesota Franchise Law.
2. Franchisor shall protect the right of Franchisee to use the Marks in accordance with the requirements of the Franchise Agreement.
3. Section XXIII(F) shall not prevent Franchisee from filing suit against Franchisor in the State of Minnesota if Franchisor is liable for any wrongdoing under Minnesota Franchise Law.
4. Any reference contained in the Franchise Agreement with a Franchisee who open the Franchised Business in Minnesota to the effect that Franchisor "is entitled to" or "may obtain" injunctive relief, or any imputation that Franchisee waives any rights under any Minn. law related to injunctive relief, shall be deleted and replaced with the words "may seek."
5. In compliance with Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, Franchisor is prohibited from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the franchise disclosure document can abrogate or reduce Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum, or remedies provided for by the laws of Minnesota.
6. With respect to franchises governed by Minnesota law, Franchisor shall comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5, which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Franchise Agreement.
7. Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the Minnesota Franchise Law are met independently of this addendum. To the extent that this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this addendum shall control. Franchisor and Franchisee ratify and affirm the Franchise Agreement in all other respects.

The Parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISOR:
THE RUSH COFFEE FRANCHISE GROUP LLC

FRANCHISEE:

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

In recognition of the requirements of the New York General Business Law, Article 33, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.2, with respect to any Franchised Business located in the State of New York, the franchise disclosure document shall be amended as follows:

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. Item 3 shall be supplemented by the following :

Neither Franchisor, its predecessor, a person identified in Item 2, nor an affiliate offering franchises under Franchisor's principal trademark(s):

A. Has an administrative, criminal, or civil action pending against that person alleging: (i) a felony; (ii) a violation of a franchise, antitrust, or securities law; (iii) fraud, embezzlement, fraudulent conversion, or misappropriation of property; (iv) unfair or deceptive practices, or comparable civil or misdemeanor allegations; or (v) 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.

B. 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 a or pleaded nolo contendere to, a misdemeanor charge or has been the subject of a civil action alleging: (i) violation of any franchise law, antifraud, or securities law; (ii) fraud, embezzlement, fraudulent conversion, misappropriation of property, or unfair or deceptive practices (or comparable allegations).

C. Is: (i) subject to a currently effective injunctive or restrictive order or decree relating to the franchise; (ii) 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; (iii) 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 (iv) 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 you to renew or extend," and Item 17(m), entitled "Conditions for The Rush Coffee Franchise Group LLC approval of transfer":

To the extent required by applicable law, however, 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 under that law, shall remain in force, it being the intent of

this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled Item 2, “Termination by you”:

You may terminate the Franchise 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 ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

For franchises and franchisees subject to the North Dakota Franchise Investment Law, the following information supersedes or supplements, as the case maybe, the corresponding disclosures in the main body of the text of the franchise disclosure document:

1. Covenants restricting or prohibiting Franchisee's right to compete after the termination or expiration of the Franchise Agreement are generally considered unenforceable in the State of North Dakota.
2. Any provision requiring Franchisee to sign a general release upon renewal of the Franchise Agreement has been determined to be unfair, unjust, and inequitable within the meaning of Section 51-19-09 of the North Dakota Franchise Investment Law.
3. Any provision in the Franchise Agreement that designates jurisdiction or venue, or requires Franchisee to agree to jurisdiction or venue in a forum outside of North Dakota, is void with respect to any cause of action which is otherwise enforceable in North Dakota.
4. The site of any required arbitration or mediation must be agreeable to all parties and may not be remote from the location of the Franchised Business.
5. Any provision of the Franchise Agreement requiring Franchisee to waive the right to a trial by jury is void.
6. Any provision of the Franchise Agreement requiring Franchisee to waive exemplary or punitive damages is void.
7. Any provision of the Franchise Agreement requiring Franchisee to consent to a statute of limitations that is shorter than the applicable North Dakota statute of limitations is void.

NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the North Dakota Franchise Investment Law:

1. A general release required as a condition of renewal, assignment, or transfer shall not apply to any claim or liability arising under the North Dakota Franchise Investment Law.
2. Any provision of this franchise disclosure document restricting jurisdiction or venue to a forum outside the State of North Dakota or requiring the application of the laws of a state other than North Dakota is void.
3. Section XIX(C) is amended by the addition of the following sentence:

“Covenants not to compete such as the one described above are generally considered unenforceable in the State of North Dakota.”
4. Any requirement compelling Franchisee to waive its right to a jury (i.e., section XXIII(M)) is deleted.
5. Any requirement compelling Franchisee to waive its right to punitive or exemplary damages (i.e., section XXI(B)) is deleted.
6. The Parties are signing this addendum simultaneously with the Franchise Agreement to which it is attached.

FRANCHISOR:

THE RUSH COFFEE FRANCHISE GROUP LLC

FRANCHISEE:

By: _____

Its: _____

Date: _____

By: _____

Its: _____

Date: _____

RHODE ISLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

For franchises and Franchisees subject to the Rhode Island Franchise Investment Act, the following information supersedes or supplements, as the case may be, any contrary disclosures in the main body of the text of the franchise disclosure document:

1. A condition, stipulation, or provision requiring a franchise to waive compliance with, or relieving a person of a duty or liability imposed by or a right provided by, this act or a rule or order under this act, is void.
2. A provision in the 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 Rhode Island Franchise Investment Act .

RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT

This addendum shall pertain to franchises sold in the State of Rhode Island and shall be for the purpose of complying with Rhode Island statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement shall be amended as follows:

1. A general release required as a condition of renewal, assignment, or transfer shall not apply to any claim or liability arising under the Rhode Island Franchise Investment Act.
2. Any provision in the Franchise Agreement that requires the application of the laws of another state, or designates jurisdiction or venue in a forum outside the State of Rhode Island, is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

FRANCHISOR:

THE RUSH COFFEE FRANCHISE GROUP LLC

FRANCHISEE:

By: _____

Its: _____

Date: _____

By: _____

Its: _____

Date: _____

VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following statements are added to Item 17.h.

Under 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 development agreement do 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 ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent that the Washington Franchise Investment Protection Act applies, the terms of this addendum shall also apply:

1. The State of Washington has a statute, R.C.W. 19.100.180, which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions that may supersede the franchise agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise.
2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.
3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 R.C.W., shall prevail.
4. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the Franchise 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, rights, or remedies under the Act, such as a right to a jury trial, may not be enforceable.
5. Transfer fees are collectible to the extent that they reflect the Franchisor's reasonably estimated or actual costs in effecting a transfer.
6. Under RCW 49.62.020, a non-competition 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 non-competition 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.
7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from: (a) soliciting or hiring any employee of a franchisee of the same franchisor; or (b) 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.
8. To the extent that this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this addendum shall control.

WASHINGTON ADDENDUM TO FRANCHISE 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 and certain court decisions may supersede portions of the Franchise Agreement and Area Development Agreement, including those areas dealing with termination and renewal of those agreements.

In any arbitration involving a Franchised Business operating in Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

A release or waiver of rights executed by Franchisee may not include rights under the Washington Franchise Investment Protection Act except when executed following a negotiated settlement after the Franchise Agreement is in effect and where the Parties are represented by independent counsel. Provisions that 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 collectible to the extent that they reflect Franchisor's reasonable estimated or actual costs in effecting a transfer.

Under RCW 49.62.020, a non-competition covenant is void and unenforceable against an employee, including an employee of 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 non-competition covenant is void and unenforceable against an independent contractor of 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, Area Development Agreement, or elsewhere that conflict with these imitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits Franchisor from restricting, restraining, or prohibiting Franchisee from: (i) soliciting or hiring any employee of a franchisee of the same franchisor; or (ii) soliciting or hiring any Franchisor's employees. As a result, any such provisions contained in the Franchise Agreement, Area Development Agreement, or elsewhere are void and unenforceable in Washington.

The Parties to the Franchise Agreement acknowledge receipt of this addendum.

FRANCHISOR:

THE RUSH COFFEE FRANCHISE GROUP LLC

FRANCHISEE:

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

WISCONSIN ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Wisconsin Franchise Investment Law and the Wisconsin Fair Dealership Law:

1. THE WISCONSIN FAIR DEALERSHIP LAW SUPERSEDES ANY PROVISION OF THE FRANCHISE AGREEMENT THAT IS INCONSISTENT WITH THAT LAW.
2. To the extent that this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this addendum shall control.

WISCONSIN ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Wisconsin Fair Dealership Law:

1. The Wisconsin Fair Dealership Law, Chapter 135, Stats., supersedes any inconsistent provisions of the Franchise Agreement.

The Parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISOR:

THE RUSH COFFEE FRANCHISE GROUP LLC

FRANCHISEE:

By: _____

Its: _____

Date: _____

By: _____

Its: _____

Date: _____

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	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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.

Item 23. RECEIPT

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If The Rush Coffee Franchise Group LLC offers you a franchise, it must provide this disclosure document to you at least 14 calendar days before you sign a binding agreement with, or make a payment to, them or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law.

[New York, Oklahoma, and Rhode Island require that The Rush Coffee Franchise Group LLC gives you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]

[Iowa requires that The Rush Coffee Franchise Group LLC gives you this disclosure document at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]

[Michigan and Oregon require that The Rush Coffee Franchise Group LLC gives you this disclosure document at least 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]

If The Rush Coffee Franchise Group LLC does not deliver this disclosure document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency listed on Exhibit I.

The name, principal business address, and telephone number of each franchise seller offering the franchise is: Parsegh Oksayan, Owner and Manager and Claire Oksayan, Owner and Manager, both of whom may be reached at 757 N. Twin Oaks Valley Rd., Suite 2, San Marcos, CA 92069, California, (760) 402-8225.

Issuance Date: April 20, 2023.

Our registered agents authorized to receive service of process for us are listed in Exhibit F.

I have received a disclosure document dated April 20, 2023. This disclosure document included the following Exhibits:

CONTINUED ON NEXT PAGE

EXHIBIT A. FRANCHISE AGREEMENT
EXHIBIT B. AREA DEVELOPMENT AGREEMENT
EXHIBIT C. PERSONAL GUARANTY
EXHIBIT D. RESTRICTIVE COVENANT
AGREEMENT
EXHIBIT E. POWER OF ATTORNEY TO ASSIGN
TELEPHONE NUMBER

EXHIBIT F. STATE FRANCHISE REGULATORS
AND AGENTS FOR SERVICE OF
PROCESS
EXHIBIT G. LIST OF FRANCHISEES
EXHIBIT H. LIST OF FRANCHISEES THAT LEFT
THE SYSTEM
EXHIBIT I. FINANCIAL STATEMENTS
EXHIBIT J. TABLES OF CONTENTS OF
OPERATING MANUAL
EXHIBIT K. STATE-SPECIFIC ADDENDUMS

_____	_____	_____
Date	Signature	Print Name
_____	_____	_____
Date	Signature	Print Name

KEEP THIS COPY FOR YOUR RECORDS

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		EXHIBIT K.	STATE-SPECIFIC ADDENDUMS

_____	_____	_____
Date	Signature	Print Name
_____	_____	_____
Date	Signature	Print Name

RETURN TO: The Rush Coffee Franchise Group, LLC at 757 N. Twin Oaks Valley Rd., Suite 2, San Marcos, CA 92069