

FRANCHISE DISCLOSURE DOCUMENT



YO FRESH INC.

95 Christopher Columbus Dr.
16th Floor
Jersey City, NJ 07302
(551) 222-6043
www.16handles.com
franchise@16handles.com

The franchisee will operate a retail store offering frozen yogurt and toppings in a self-serve environment under the name “16 Handles” (each, a “**Store**”). A Store operates using the franchisor’s proprietary recipes, formulae, techniques, trade dress, trademarks and logos.

The total investment necessary to begin operation of a 16 Handles franchise is \$228,250 to \$671,000. This includes \$30,000 that must be paid to the franchisor and/or its affiliates.

The total investment necessary to operate multiple franchised Stores under our form of area development agreement depends on the number of franchises we grant you the right to open. By way of example, the total investment necessary to enter into a development agreement for the right to develop three Stores is \$273,250 to \$716,000, which includes (i) a \$75,000 area development fee that is paid to us, and (ii) your total investment to begin operation of your initial Store. Your area development fee will depend on the number of Stores we grant you the right to open within a defined development area, and this fee is calculated as the sum of: (a) \$30,000 for the first Store you are granted the right to open; (b) \$25,000 for the second Store you are granted the right to open; plus (c) \$20,000 for the third and each additional Store you are granted the right to open.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Alex Choi 95 Christopher Columbus Dr., 16th Floor, Jersey City, NJ 07302, franchise@16handles.com and (551) 222-6043.

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

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

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

Issuance Date: March 31, 2022.

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits E and F.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit G includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only 16 Handles business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchise 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 an 16 Handles franchisee?	Item 20 or Exhibits E and F lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risk(s) to Consider About *This* Franchise

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

1. **Governing Law.** The franchise agreement and area development agreement state that New Jersey law governs the agreements, and this law may not provide the same protections and benefits as local law. You may want to compare these laws.
2. **Personal Guaranty.** If the franchisee is a business entity, each of the entity's owners, partners, members, officers, directors, trustees, and beneficiaries (as applicable) must sign a personal guaranty. Those who sign a personal guaranty will be jointly and severally liable for all debts and obligations of the franchisee whether or not they are involved in the operation of the franchise business. These individuals will also have their personal assets at risk.
3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" 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

Yo Fresh Inc. (“**we**” or “**us**” or “**16 Handles**”) is the franchisor. We were formed as a corporation in New York on July 1, 2011. On March 17, 2022, we filed as a foreign corporation in New Jersey when we changed our principal place of business to 95 Christopher Columbus Dr., 16th Floor, Jersey City, NJ 07302. Our agents for service of process are listed in Exhibit A to this Disclosure Document. We currently conduct business under the name and mark 16 Handles and our company name only.

We began offering franchises in November 2011. We have not offered franchises in any other line of business. Except as described in this Item, we are not involved in other business activities.

Our Parents, Predecessors and Affiliates

We do not have any parent, but we have a predecessor and three affiliates. Our predecessor is Yo Fresh LLC, a New Jersey limited liability company headquartered at our address (“Predecessor”). On October 10, 2011 our Predecessor assigned all of its assets, including all franchise agreements, to us. Our Predecessor offered franchises between August 2009 and October 2011. As of the date its assets were assigned to us, our Predecessor had sold seven franchises. Our Predecessor has not offered franchises in any other line of business.

Our first affiliate is GreenO Products, LLC, a California limited liability company that is headquartered at 8605 Santa Monica Blvd Suite 27630, West Hollywood, CA 90069 (“**GreenO**”). GreenO is the manufacturer of the printed cups, bags, lids, spoons and napkins that you must use in your Store, and you may be required to purchase certain of these items from GreenO directly or from one of GreenO’s distributors. GreenO has never offered franchises in this or any other line of business.

Our second affiliate is Yogurt Your Way LLC, a New Jersey limited liability company headquartered at our address (“**Yogurt Your Way**”). Yogurt Your Way has never offered franchises in this or any other line of business. Yogurt Your Way is the owner of the trademark “WhipUp!” and has licensed it to us so that we may sub-license it to our franchisees. The trademark license agreement is a perpetual non-cancelable license agreement dated April 23, 2012.

The Franchise Offered

We are offering franchises for Stores that operate under the name “16 Handles” and related slogans which are established and operated using the format and system we developed (the “**System**”), which operate at retail locations displaying our interior and exterior trade dress and feature and operate under the Proprietary Marks (as defined below).

16 Handles Stores offer frozen yogurt and toppings in a self-serve environment using our proprietary recipes, formulae and techniques, as well as a variety of non-proprietary and proprietary food, beverage, and other compatible items that we periodically designate (collectively, “**Products**”). Our interior trade dress is designed to make our Stores welcoming, comfortable, and easily identifiable for customers. 16 Handles Stores are expected to be primarily located in downtown locations, in-line strip center locations or mall settings and will need between 1,200 and 2,000 square feet of space.

16 Handles Stores are characterized by our System. Some of the features of our System include distinctive exterior and interior design, décor, color schemes, fixtures, and furnishings; recipes, standards

and specifications for products, equipment, materials, and supplies; uniform standards, specifications, and procedures for operations; purchasing and sourcing procedures; procedures for inventory and management control; training and assistance; and marketing and promotional programs. We may periodically change and improve the System and you must comply with each change.

You must operate your Store in accordance with our standards and procedures, as set out in our Confidential Operations Manual (the “**Manual**”). We will lend you a copy of the Manual for the duration of the Franchise Agreement (or, at our option, we may make the Manual available to you electronically). In addition, we will grant you the right to use our marks, including the marks “16 Handles,” and any other trade names and marks that we designate in writing for use with the System (the “**Proprietary Marks**”). We may modify the Proprietary Marks or substitute new Proprietary Marks. See Items 13 and 14 for additional information regarding the Proprietary Marks and the Manual.

Franchise Agreement

We offer to enter into franchise agreements (“**Franchise Agreements**”) (included as Exhibit B to this Disclosure Document) with qualified legal entities and persons (“**you**”) that wish to establish and operate Stores. In this Disclosure Document, “you” means the person or legal entity with whom we enter into an agreement. The term “you” also refers to the direct and indirect owners of a corporation, partnership, limited liability company, or limited liability partnership that signs a Franchise Agreement as the “franchisee”.

Under a Franchise Agreement, we will grant you the right (and you will accept the obligation) to operate a Store at an agreed-upon specified location (the “**Approved Location**”). In this Disclosure Document, the term “**Franchised Store**” means the Store franchised to you under a Franchise Agreement.

If you are not an individual, then you must designate one of your owners, who must be an individual person and who must be reasonably acceptable to us (the “**Designated Principal**”) to act as the general manager of your Franchised Store. Your Designated Principal must have at least a 10% ownership interest in you. We expect our franchisees and their owners to participate in the day to day operation of the Store.

Development Agreement

We also may offer an area development agreement (the “**Development Agreement**”) (included as Exhibit C to this Disclosure Document) with qualified legal entities and persons (a “**Developer**”), which grants the right to establish and operate a specified number of Stores in a specified geographical area (the “**Development Area**”) at specific locations that must be approved by us, each under a separate Franchise Agreement. We will enter into Development Agreements under which at least three Stores will be developed by an Developer.

Area Developers must open each Store in accordance with a mandatory development schedule that is set forth in Exhibit A to the Area Development Agreement (the “**Development Schedule**”). The Area Developer must exercise each development right by itself signing a Franchise Agreement for the establishment and operation of a Store within the appropriate time periods to meet the opening deadlines under the Development Schedule.

Industry-Specific Regulations

The restaurant industry is heavily regulated. A wide variety of Federal, state and local laws, rules and regulations have been enacted that may impact the operation of your Restaurant, and may include those which: (a) establish general standards, zoning, permitting restrictions and requirements and other

specifications and requirements for the location, construction, design, maintenance and operation of the Restaurant's premises; (b) set standards pertaining to employee health and safety; (c) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for restaurants and laws and regulations relating to access by persons with disabilities; employee practices concerning the storage, handling, cooking and preparation of food; restrictions on smoking; available of and requirements for public accommodations and requirements for fire safety and general emergency preparedness; (d) establish requirements for food identification and labeling; and (e) regulate advertisements. State and local agencies inspect restaurants to ensure that they comply with these laws and regulations. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your Store and you should consider both their effect and costs of compliance.

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

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

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

You should consult with your attorney concerning those and other local laws and ordinances that may affect the operation of your Franchised Shop. You must obtain any applicable real estate permits (e.g., zoning), real estate licenses and operational licenses.

Each of your managers and other employees we designate must be ServSafe (or similar) certified.

Market and Competition

You will offer your products to the general public. The market for frozen dessert products is highly competitive, as is the market for obtaining locations in high traffic venues. However, we believe our competitive position is enhanced by our brand, image, décor and operational format and by the proprietary frozen dessert products offered by the 16 Handles Stores. You can expect competition from retailers like TCBY, PinkBerry, Red Mango and other national and local frozen yogurt shops. We plan to continue controlled expansion into areas that we determine can support the 16 Handles Stores to improve name recognition and the reputation of the System through both franchised Stores and Stores operated by us and/or by our Affiliate. We believe that our competitive position will be improved based on that expansion,

and that our concept will be able to attract customers consistently in those markets. Our Products are somewhat seasonal and sell better in warm weather.

ITEM 2 **BUSINESS EXPERIENCE**

Chief Executive Officer – Solomon Choi

Mr. Choi has been our Chief Executive Officer in Jersey City, NJ since our inception in July 2011 and he held a similar position with our Predecessor between January 2008 and October 2011. He has also been Director for our affiliate GreenO since January 2009.

Chief Financial Officer – Alex Choi

Mr. Choi has been our Chief Financial Officer since January 2014 in Jersey City, NJ. Prior to that time, he served as our Vice President of Finance and Franchising since our inception in July 2011 through January 2014 and he held a similar position with our Predecessor, in New York, New York, from December 2008 to October 2011.

VP of Brand and Operations – Sean Gunner

Mr. Gunner is our Vice President of Brand and Operations, overseeing branding, partnerships, technology, and communications. With almost a decade of experience at 16 Handles, Sean served as the operator of our Glenmont, New York franchise from its opening in April 2013 until February 2018. He joined 16 Handles in March 2018 and is located in Jersey City, NJ.

VP of Operations and Franchise Development – Craig Cohen

Mr. Cohen has been our Vice President of Operations & Franchise Development since our inception in July 2011 and is located in Jersey City, New Jersey. Prior to that time, he was a Management Consultant between January 2019 and May 2021 in Fort Lee, New Jersey, and Chief Operating Officer of Brookland Capital between May 2017 and January 2019 in Brooklyn, NY. From June 2007 to September 2016, Mr. Cohen was a multi-unit franchisee for Five Guys and a multi-unit franchisee for Subway from 2002 to 2007.

ITEM 3 **LITIGATION**

No litigation is required to be disclosed in this Item.

ITEM 4 **BANKRUPTCY**

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

ITEM 5 **INITIAL FEES**

Franchise Agreement: Initial Franchise Fee

Upon execution of your Franchise Agreement, you must pay us an initial franchise fee (the “**Franchise Fee**”) equal to \$30,000. If you are purchasing your second franchise, the Franchise Fee is

reduced to \$25,000. If you are purchasing your third (or later) franchise, the Franchise Fee is reduced to \$20,000.

The Franchise Fee is deemed fully earned upon receipt, and is not refundable under any circumstances. The Franchise Fee associated with a single franchise purchase is imposed uniformly.

Development Agreement: Development Fee

If we grant you the right to open three or more Franchised Stores under a Development Agreement, you must pay us a one-time development fee (the “**Development Fee**”) upon executing your Development Agreement. Your Development Fee will depend on the number of Franchised Stores we grant you the right to open within the Development Area, and this fee is calculated as the sum of the following: (i) \$30,000 for the first Franchised Store you are granted the right to open; (ii) \$25,000 for the second Franchised Store you are granted the right to open; and (iii) \$20,000 for the third and each additional Franchised Store you are granted the right to open.

You will be required to enter into our then-current form of franchise agreement for each Franchised Store you are required to open under your Development Agreement, but you will not be required to pay any additional Franchise Fee at the time you execute each of these franchise agreements. If you enter into a Development Agreement, you must execute our current form of Franchise Agreement for the first Store we grant you the right to open within your Development Area concurrently with the Development Agreement.

Your Development Fee will be deemed fully earned upon payment, and is not refundable under any circumstances. The Development Fee described above is calculated and applied uniformly to all of our franchisees.

ITEM 6 OTHER FEES

Type of Fee (Note 1)	Amount	Date Due	Remarks
Royalty	6% of Gross Sales	On Wednesday of each week for the prior week ending Sunday (Note 2)	Gross Sales means all revenue related to the Franchised Store (excluding customer refunds and sales taxes collected and remitted to the proper authorities).
Marketing Fee	2% of Gross Sales	Same as Royalty Fee	The Brand Development Fund is described in Item 11.
Local Marketing	Minimum of \$10,000 yearly	Must be spent yearly	Payable to your local marketing providers. We must approve all local marketing before its use.

Type of Fee (Note 1)	Amount	Date Due	Remarks
Cooperative Marketing	Not more than 1% of Gross Sales	As determined by the cooperative members	We may form (or approve the formation of) regional marketing cooperatives. If a cooperative is formed for your area, you must participate in the cooperative. Any contributions you make to a cooperative will count toward your local marketing requirement.
Local Telephone and On-line Directories	Varies	On demand	We may require you to, or we may on your behalf, advertise your Franchised Store in local directories. You must bear the costs for your Franchised Store, including reimbursements to us. Payable to the telephone directory printers
Technology Fee	Once implemented, the then-current technology fee (the “Technology Fee”)	On Wednesday of each week for the prior week ending Sunday	We reserve the right to collect a Technology Fee in connection with technology products or services we determine to (a) associate and utilize in connection with the System, and (b) use the Technology Fee to cover all or certain portions of the corresponding costs. If we modify the Technology Fee, we will provide you with 30 days’ prior written notice.
Initial Training Fee – Additional or Replacement Personnel	\$150 per person per hour, plus expenses	Before training	We will train the first three people at no additional charge (provided these trainees all attend at the same time). If you want to send additional trainees to our initial training program, or if you want us to train any replacement employees during the term of your Franchise Agreement, you must pay our fee. You will also pay for all trainees’ expenses while attending training, including travel, lodging, meals and wages

Type of Fee (Note 1)	Amount	Date Due	Remarks
Additional on-site training and assistance	Our then-current per day fee per trainer, plus expenses Currently, the hourly rate is \$150	On demand	If you request that we provide additional assistance or training on-site at your Franchised Store. Our reimbursable expenses include travel, lodging and meals for each trainer
POS System License Fee	Then-current fee charged by our designated supplier \$2,280/year for two terminals	As invoiced	Payable to our designated supplier for the POS System and the customized software you must use in connection with your Franchised Business. You must maintain upgrade and maintenance contracts for your hardware and software. We reserve the right to implement a proprietary software system for all franchisees, which may require you to pay other license and maintenance fees. See Item 11 under the heading “Computer System” The POS System License Fee currently includes the cost of the software/hardware associated with Gift Card processing and remittance. Gift cards will be available for sale and redemption at any Store in the System. You must participate in the Gift Card program. In the event the designated supplier does not include the cost of the Gift Card software/hardware services as part of the POS System License Fee, you will be required to pay any applicable standalone subscription fee(s) necessary to participate in these programs.
Loyalty/Frequent Buyer Program	Then-current fee Currently, \$50 per POS terminal + transaction fees	As incurred	You must participate in the loyalty/frequent program administered by a third party.
ServSafe Certification	\$150 per person or the then-current fee	As needed	Payable to local supplier. Each of your managers and other personnel we designate must be ServSafe certified

Type of Fee (Note 1)	Amount	Date Due	Remarks
Management Fee	15% of Gross Sales, plus expenses	If incurred	We have the right to step in and manage your Store in certain circumstances
Product/Supplier Testing	Varies – the costs of testing and evaluation	On demand, if incurred	Payable if you want to purchase a product or purchase from a supplier that we have not previously approved and you request that we approve the product or supplier. See Item 8
Transfer Fee (Franchise Agreement and Development Agreement)	An amount equal to 50% of our then-current initial franchise fee per Store, if the Store is being transferred to a new franchisee; or An amount equal to 25% of our then-current initial franchise fee per Store, if the Store is being transferred to an existing 16 HANDLES franchisee	At time of transfer	Payable only if you make a transfer (as defined in the Franchise Agreement), which includes any sale or assignment of your franchise or your company. We do not impose a fee for a one-time transfer to a corporate entity you form for the convenience of ownership. If you are an Area Developer, we reserve the right to require you to transfer all of your Franchised Stores, in addition to any undeveloped Stores.
Renewal Fee	\$10,000	At time of renewal	
Relocation Fee	\$12,000	One-half of the fee paid when we approve your request to relocate, the balance is due before the new location opens	This fee is to reimburse us for costs incurred relating to evaluating your new site and assisting with the design and construction of your relocated Store

Type of Fee (Note 1)	Amount	Date Due	Remarks
Charges for “mystery customer” quality control evaluation	Will vary under circumstances, but not to exceed \$1,000 per year	On demand, if incurred	See Note 3. The mystery customer program will be separate from our programs for customer surveys and customer satisfaction audits (which may require you to accept coupons from participating customers for discounted or complimentary items)
Interest on Overdue Payments	1.5% per month or the maximum legal rate which we charge, whichever is less	On demand, if incurred	Only due if you don’t pay us the amounts you owe on time. Interest will accrue on the date when the payment was originally due until payment is made in full
Audit Expenses	All costs and expenses associated with the audit, reasonable accounting and legal costs	On demand, if incurred	If an audit shows an understatement of any amount owed to us or our affiliates, you must pay the understated amount plus interest, as described above. If the audit is conducted because you do not provide required reports to us, or if the audit shows an understatement at any time of 2% or more, then you must also reimburse the costs of the audit
Insurance Premiums	Our cost to obtain insurance coverage if you fail to do so	On demand	We have the right (but not the obligation) to buy insurance coverage if you do not do so
Costs and Attorneys’ Fees	Will vary under circumstances	On demand	Due only if you are in default under your Agreement, in which case you must reimburse us for the expenses we incur (including reasonable attorneys’ fees) as a result of your default and to enforce and terminate the Agreement
Indemnification	Will vary under circumstances	On demand	You must reimburse us if we are sued or held liable for claims arising from your operation of the Franchised Store, as well as your use of the Proprietary Marks in a manner inconsistent with our instructions, and any transfers or securities offerings that you propose
Store Refurbishment	Will vary under circumstances	As incurred	You must periodically refurbish your Franchised Store to meet our then-current requirements for décor, layout, etc. If you transfer the Store we may require the transferee to refurbish and upgrade the Store

Explanatory Notes to Item 6 Chart

1. We impose and collect all of the fees described above in this Item 6, except as otherwise noted. None of these fees are refundable. All fees are uniformly imposed.
2. You must pay your royalties and marketing fund contributions by EFT (electronic funds transfer). To make arrangements for EFT, you must sign our current form of Authorization Agreement for Prearranged Payments (Direct Debits), which is Exhibit D to the Franchise Agreement.

If you do not report the Store's Gross Sales, we may debit your account for 120% of the last Royalty Fee and Marketing Fee that we debited. If the Royalty Fee and Marketing Fee we debit are less than the amounts you actually owe us, we will debit your account for the balance on a day we specify. If the Royalty Fee and Marketing Fee we debit are greater than the amounts you actually owe us, we will credit the excess against the amount we otherwise would debit from your account during the following week.

The term "Gross Sales" means all revenue from the sale of all Products and all other income of every kind and nature related to, derived from, or originating from the Franchised Store, whether at retail or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit; however, "Gross Sales" excludes any customer refunds, coupon sales, sales taxes, and/or other taxes collected from customers by you and actually transmitted to the appropriate taxing authorities.

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

3. We may use an independent service to conduct a "mystery customer" quality control and evaluation program. You must participate in this program, and we may require that you pay the then-current charges imposed by the evaluation service (as we direct, either directly to the evaluation service provider or to us as a reimbursement).

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ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

A. Franchise Agreement

Type of Expenditure	Amount	When Payable	Method of Payment	To Whom Payment is to be Made (Note 1)
Initial Franchise Fee (Note 2)	\$30,000	When you sign the Franchise Agreement	Lump sum	Us
Rent and Security Deposit – 4 Months (Note 3)	\$5,000 to \$64,000	As arranged	As arranged	Landlord
Utility and Other Deposits (Note 4)	\$1,000 to \$3,000	As arranged	As arranged	Utility companies and Others
Architect and Design Fees (Note 5)	\$4,500 to \$12,000	As arranged	As arranged	Approved architect and design company
Leasehold Improvements (Note 6)	\$100,000 to \$265,000	As arranged	As arranged	Independent contractors
Signage (Note 7)	\$3,000 to \$10,000	As arranged	As arranged	Suppliers
Furniture, Fixtures and Security System (Note 8)	\$5,000 to \$15,000	As arranged	As arranged	Suppliers
Equipment and Smallwares (Note 9)	\$50,000 to \$190,000	As arranged	As arranged	Suppliers
POS System and Back-Office Computer; Annual License Fee (Note 10)	\$500 to \$5,000	As arranged	As arranged	Suppliers
Office Equipment and Supplies (Note 11)	\$1,000 to \$2,000	As incurred	As arranged	Suppliers

Type of Expenditure	Amount	When Payable	Method of Payment	To Whom Payment is to be Made (Note 1)
Business Licenses & Permits (Note 12)	\$1,000 to \$5,000	As incurred	As arranged	Local, state and other government agencies
Professional Fees (Note 13)	\$3,000 to \$10,000	As arranged	As arranged	Accountant; Attorney; Architect
Initial Inventory of Food and Paper Supplies (Note 14)	\$5,000 to \$15,000	As incurred	As arranged	Approved suppliers
Insurance – 3 Months (Note 15)	\$1,000 to \$4,000	As arranged	As arranged	Insurance providers
Training Expenses (Note 16)	\$250 to \$3,000	As arranged	As arranged	Airlines, Hotels, Stores, Employees
Grand Opening Marketing (Note 17)	\$8,000	In first 60 days of operation	As arranged	Suppliers
Additional Funds (for initial period of operations) (Note 18)	\$10,000 to \$30,000	As needed	As arranged	Us, suppliers, employees and other creditors
TOTAL ESTIMATED INITIAL INVESTMENT	\$228,250 to \$671,000			

In general, none of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable and the Franchise Fee is partially refundable in certain circumstances (see Item 5). We do not finance any portion of your initial investment.

Explanatory Notes

1. **General** – We do not impose or collect the fees or costs described in this Item, except for the items noted with “Us” in the column labeled “To Whom Payment is to be Made.” Except as described below, all fees and amounts that you must pay to us are non-refundable. For any amounts paid to third parties, the availability and conditions under which you may obtain refunds will depend on the terms offered by those third party suppliers. Our estimates in this Item are based on our current prototype for Stores, our experience in developing and operating our company-owned Stores, and our knowledge of business practices and conditions in the general marketplace. These are only

estimates and your costs may vary based on actual rental prices in your area, and other site-specific requirements or regulations. The costs outlined in this Item 7 are not intended to be a forecast of the actual cost to you or to any particular franchisee.

2. **Franchise Fee** – The Franchise Fee and Area Development Fee are discussed in Item 5.
3. **Rent and Security Deposit** – If you do not own a location for your Franchised Store, you must purchase or lease a space. Locations for Stores will typically need approximately 1,200 to 2,000 square feet. The estimate in the chart above includes your first month of rent payment and security deposit for the low estimate and first month of rent and up to 4 months of security deposit for the high estimate. You will need to lease a space in advance to build-out the Franchised Store, but you may be able to negotiate an abatement from the landlord for this period. Landlords may vary the base rental rate and charge rent based on a percentage of gross sales. In addition to base rent, the lease may require you to pay common area maintenance charges (“CAM Charges”), your pro rata share of the real estate taxes and insurance, and your pro rata share of other charges. The actual amount you pay under the lease will vary depending on the size of the Store, the types of charges that are allocated to tenants under the lease, your ability to negotiate with landlords and the prevailing rental rates in the geographic region.

We anticipate that Stores will typically be located in retail strip shopping centers or mall locations. Rent varies considerably from market to market, and from location to location within each market. Rents may vary beyond the range that we have provided, based on factors such as market conditions in the relevant area, the type of improvements needed for the premises, the size of the site for the Franchised Store, the terms of the lease, the desirability of the location, and your ability to negotiate with your landlord.

Our estimates assume that you will lease the premises for your Franchised Store and, therefore, do not include costs related to the purchase of land or the construction of any buildings. If you decide to purchase the property for the location of your Franchised Store, you will incur additional costs that we cannot estimate.

4. **Utility and Other Deposits** – The estimate includes utility deposits (such as telephone, electricity, gas and water). The requirement to make, and the amount of, security deposits will depend on a variety of factors, including your credit and financial condition.
5. **Architect and Design Fees**. You must hire an architect and a design company, of whom we must approve, to adapt our standard plans and specifications for a 16 Handles Store to suit your leased space. The build-out designs and plans must be approved by us before you may begin construction, but our review is only intended to make sure that the build-out designs and plans meet our then-current image for 16 Handles Stores. You must make sure that the plans meet all federal and state laws and building codes, including the Americans with Disabilities Act.
6. **Leasehold Improvements** – You must employ a qualified licensed general contractor that we pre-approve in writing to construct the improvements to, or “build out,” the premises which we will approve and at which you will operate the Franchised Store. Our estimates are based on the assumption that location is between 1,200 to 2,000 square feet, and that your lessor will provide a shell space that includes a level concrete floor suitable for floor covering, demising walls, air-conditioning, electricity, gas, sewers, bathroom facilities, and water and plumbing suitable for a retail business. Among other things, you will probably need to arrange for the following items to meet our standard plans and specifications: proper wiring and plumbing, floor covering, wall covering, partitions, lighting and fixtures, storefront modifications, painting, cabinetry, and the like.

Costs will vary depending upon factors including: the geographic location of your business; the size of the premises; the availability and cost of labor and materials; and the condition of the premises and the work that the lessor will do as a result of the lease negotiations. Lessors may, instead of actually doing some of the work, provide you with credits towards your future rent payments and/or a tenant improvement allowance. We cannot guaranty that you will receive a tenant improvement allowance, nor can we estimate the amount of any potential tenant improvement allowance.

7. **Signage** – The estimate includes the costs for interior and exterior signage. The cost of signage may vary significantly depending on the location of your Franchised Store, market conditions and local codes. In some instances, the use of additional or larger signage may be possible, with our prior written approval. The costs of these optional items are not included in the line item total above. Your landlord or your local ordinances may have different restrictions it places on interior and exterior signage which may affect your costs.
8. **Furniture, Fixtures and Security Systems** – Our estimates include tables, chairs, benches, plumbing fixtures and a web-based security system.
9. **Equipment and Smallwares** – Our estimates include eight yogurt machines, smallwares and other miscellaneous equipment. The lower end of the estimate assumes that the yogurt machines will be leased, and the higher end of the estimate assumes that they will be purchased. The cost of leasing a machine will depend on several factors including your credit history and market conditions. Leasing a machine may require upfront payments for the 1st month and last 5 months monthly payments.
10. **POS System and Back Office Computer; Annual License Fee** – You must purchase or lease the point of sale system and back office computer system that we specify, which typically includes: (i) a POS System with two terminals; and (ii) a back-office computer and printer that meets our System standards. You will be required to use the software we designate in connection with your POS System. Both estimates in this range include your first annual license fee of \$2,280 for two terminals that must be paid in connection with your POS System, with the low estimate assuming you will have two terminals at your Franchised Store and the high estimate assuming you will have three terminals at your Franchised Store. See Item 11 for additional information on the required systems.
11. **Office Equipment and Supplies** – These amounts include costs of a fax machine, miscellaneous office supplies, office furniture and office equipment.
12. **Business Licenses and Permits** – These are general estimates for permits and licensing that may be required by local and state governments. Local, municipal, county and state regulations vary on the licenses and permits you will need to operate a Store. You will pay these fees to governmental authorities before starting business, and the permitting requirements and fees may vary significantly between jurisdictions.
13. **Professional Fees** – We strongly recommend that you employ an attorney, accountant, and other consultants to help you evaluate our franchise offering and your establishment of a new business. You may also want to employ an attorney to help you negotiate your lease for the Franchised Store premises and to help you obtain all required permits and licenses to establish and operate the Franchised Store. In addition, you may also form a corporation or other entity to operate the business. Your actual costs may vary substantially depending on the degree to which you rely upon your advisors and upon the licensing requirements that may apply to your Franchised Store.

14. ***Initial Inventory of Food and Paper Supplies*** – These expenses include an initial inventory of Products, paper goods and supplies. You will need to restock your inventory on an as-needed basis as food items and other supplies are used. The amount and cost of your initial and subsequent orders for all of these items will vary depending on various factors, including the size and anticipated volume of your Franchised Store’s sales and the frequency of your orders.
15. ***Insurance*** – The estimate represents three months of premiums for the insurance you must have for your Store. Insurance costs will vary depending upon factors such as the size, condition and location of the Franchised Store and your financial condition. Depending on the insurance company’s policies, you may have to pay your premiums monthly, quarterly, semi-annually or annually. Your obligations with respect to insurance are more fully described in Item 8.
16. ***Training Expenses*** – We will provide instructors and instructional materials at no charge for you and two managers, but you must pay the trainees’ expenses, including travel, lodging, meals and applicable wages. The low end of the estimate assumes that the trainees are within driving distance to the training location, and the high end assumes that other travel will be needed, although these may vary significantly depending upon the distance traveled and mode of transportation. Your costs will also vary depending on the nature and style of accommodations, and the number of persons who will attend training. See Item 11 under the heading “Training” for additional details regarding the program.
17. ***Grand Opening Marketing*** – This advertising and marketing promotion is intended to provide initial awareness and momentum for your new Franchised Store. A minimum of \$8,000 must be spent to conduct the grand opening marketing. We must approve of your grand opening marketing campaign before you conduct it. Additional details regarding marketing and promotion can be found in Item 11, under the heading “Marketing.”
18. ***Additional Funds*** – You will need additional capital to support on-going expenses, such as payroll and utilities, if these costs are not covered by sales revenue. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover on-going expenses for the start-up phase of the business, which we calculate to be three months. This is only an estimate, however, and there is no assurance that additional working capital will not be needed during this start-up phase or after. Your actual costs may vary considerably, depending on factors such as: local economic conditions; the local market for the Products; the prevailing wage rate; union labor; competition; the sales level achieved during the initial period of operation; and your management and training experience, skill, and business acumen. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. You should take into account the cash outlays and probable losses that you may incur while you are trying to get established. These are only estimates and your costs may vary based on actual rental prices in your area, and other site-specific requirements or regulations. The costs outlined in this Item 7 are not intended to be a forecast of the actual cost to you or to any particular franchisee. We relied on our franchisees’ and affiliate’s experiences in operating Stores to determine these estimates.

B. Development Agreement

YOUR ESTIMATED INITIAL INVESTMENT¹

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to be Made
Development Fee ²	\$75,000	Lump Sum	Upon execution of Area Development Agreement	Franchisor
Initial Investment to Open Initial Store ³	\$198,250 to \$641,000	See Chart A of this Item 7.		
TOTAL	\$273,250 to \$716,000	This is the total estimated initial investment to enter into an Area Development Agreement for the right to own a total of three Franchised Stores, as well as the costs to open and commence operating your initial Franchised Store for the first three months (as described more fully in Chart A of this Item 7). See Note 3.		

Explanatory Notes

1. **General.** All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. This Chart details the estimated initial investment associated with executing an Area Development Agreement for the right to own and operate three Franchised Stores, as well as the initial investment to open your first Store under your Development Schedule.
2. **Development Fee.** The Development Fee is described in greater detail in Item 5 of this Disclosure Document, and this Development Fee is for the right to open and operate a total of three Franchised Stores (provided you comply with your development obligations under the Development Agreement). If you choose to open more than three Franchised Stores, your Development Fee will be calculated as follows: (i) \$30,000 for your first Franchised Store; (ii) \$25,000 for your second Franchised Store; plus (iii) \$20,000 for your third and each subsequent Franchised Store.
3. **Initial Investment to Open Initial Store.** This figure represents the total estimated initial investment required to open the initial Franchised Store you agree to open and operate under the Development Agreement. You will be required to enter into our then-current form of franchise agreement for this initial Store at the same time you execute your Development Agreement. The range includes all the items outlined in Chart 7.A. of this Item, except for the \$30,000 Franchise Fee (because you are not required to pay any Franchise Fee for the Franchised Stores you open to meet the development obligations under your Development Agreement). It does not include any of the costs you will incur in opening any additional Store(s) that you are granted the right to open and operate under your Development Agreement.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To insure that the highest degree of quality and service is maintained, you must operate the Franchised Store in strict conformity with the methods, standards, and specifications that we prescribe in the Manual or otherwise in writing.

Products and Other Purchases

General

All Products sold or offered for sale at the Franchised Store must meet our then-current standards and specifications and be approved by us. You must purchase, install, and use all fixtures, furnishings, equipment, décor, supplies, computers and communications hardware and software, signs and materials as we may reasonably require in the Manual or other written materials (collectively, “**Store Items**”). You must purchase all additional Products and other Store Items solely from manufacturers, distributors, and suppliers who demonstrate to our continuing reasonable satisfaction the ability to meet our standards and specifications, who possess adequate quality controls and capacity to supply your needs promptly and reliably, and who have been approved by us in the Manual or otherwise in writing. You may not purchase, offer or sell any Products, or use at your Franchised Store any Products or Store Items, that we have not previously approved as meeting our standards and specifications. Although we are not currently a supplier of any Products, we have the right to be an approved supplier of some items which you may have to purchase. We may disapprove of Products and suppliers based on our desire to consolidate System purchases through fewer suppliers. We may designate a single supplier, which may be us or one of our affiliates, for any products, equipment, supplies, or services, and you must purchase these items exclusively from the designated supplier.

As discussed in Item 1, GreenO is an approved supplier for certain inventory items and supplies you must purchase in connection with your Franchised Store. Our CEO, Solomon Choi, owns an interest in our approved supplier, GreenO. During its past fiscal year ending December 31, 2021, GreenO derived \$343,864.80 from our franchisees’ required purchases. If these items are not purchased from GreenO directly, you will likely be required to purchase those items from a distributor that we designate.

Except as provided in the paragraph above, neither we nor any of our affiliates are an approved supplier for any items that you must purchase in connection with your Franchised Store as of the Issue Date of this Disclosure Document. We do, however, reserve the right to designate ourselves and/or any affiliate as an approved supplier for any such item that you must purchase, including, but not limited to: (i) furniture and fixtures; (ii) supplies and inventory; (iii) POS Systems; (iv) signage; (v) gift cards; and (vi) uniforms and branded merchandise.

For fiscal year ended December 31, 2021, we derived \$767,224 in rebates and consideration from our approved suppliers on account of our franchisees’ required purchases from these suppliers, or 37.0% of our total revenues of \$2,076,086.

If you desire to purchase unapproved products or Store Items from other than approved suppliers or unapproved products from approved suppliers, you must submit to us a written request to approve the proposed product or supplier, together with evidence of conformity with our specifications as we reasonably require. We will have the right to require that our representatives be permitted to inspect the supplier’s facilities and that samples from the supplier be delivered for evaluation and testing either to us or to an independent testing facility designated by us. You must pay a charge, not to exceed the reasonable cost of the evaluation and testing. We will use our best efforts to complete our review within six months. If we

do not give our written approval within this six month period, we will be deemed to have disapproved the proposed new supplier. We may occasionally revoke our approval of particular Products, Store Items or suppliers if we determine, in our sole discretion, that the Products or suppliers no longer meet our standards. Upon receipt of written notice of revocation, you must stop selling any disapproved product and/or stop purchasing from any disapproved supplier.

We have no obligation to make available to you or to any prospective supplier our standards and specifications for product or supplier approval. When approving suppliers, we consider whether they demonstrate the ability to meet our standards and specification and whether they possess adequate quality controls and capacity to supply your needs promptly and reliably. However, our approval may be withheld for any reason.

We estimate that your purchases from us or approved suppliers, or that must conform to our specifications, will represent approximately 85% to 95% of your total investment in establishing the Store, and approximately 90% to 95% of your total purchases in the continuing operation of the Store.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some Products, equipment, or services to some or all of the Stores in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all Products, equipment and services, and we may refuse to approve requests from franchisees to add new suppliers if we believe that this action would not be in the best interests of the System or the franchised network of Stores. We have established a purchasing cooperative for certain goods, such as our proprietary frozen yogurt mix, that System franchisees are required to purchase.

We and/or our affiliates may receive payments or other compensation from suppliers on account of the suppliers' dealings with us, you, or other Stores in the System. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase Products, equipment, supplies, services and other items at a price that will benefit us and our franchisees. We have established such a supply contract with certain of the yogurt distributors that sell our proprietary frozen yogurt mix to our franchisees and we receive a flat rate or a percentage rate for every case of frozen yogurt mix that is sold to our franchisees.

Except as described in this Item 8, we do not provide any material benefits to you based on your use of designated or approved suppliers.

As we assess consumer preferences and trends in the marketplace and develop new marketing techniques, products and services, we anticipate that we will formulate and modify our standards and specifications and our approved suppliers and we will notify you of these developments in writing, including through amendments to our Manual, newsletters, e-mail or other bulletins.

Insurance

You also must obtain, before beginning any operations under the Franchise Agreement, and must maintain in full force and effect at all times during the term of the Franchise Agreement, at your own expense, an insurance policy or policies protecting you, us, our affiliates, and our respective officers, directors, partners, and employees. The policies must provide protection against any demand or claim relating to personal and bodily injury, death, or property damage, or any liability arising from your operation of the Franchised Store. All policies must be written by a responsible carrier or carriers whom we determine to be acceptable and with a rating of at least "A-" from A.M. Best, must name us and our affiliates as

additional insureds, and must provide at least the types and minimum amounts of coverage specified in the Franchise Agreement or otherwise in the Manual. Additionally, we may designate one or more insurance companies as the insurance carrier(s) for Stores. If we do so, we may require that you obtain your insurance through the designated carrier(s).

The types and amounts of the insurance coverage you must have will be detailed in our Operations Manual. Our current insurance requirements are as follows: (1) comprehensive general liability insurance for bodily injury, death and property damage, and including employment practices coverage and professional liability, caused by the Store's operation, with limits of not less than \$1,000,000 per occurrence, \$2,000,000 aggregate; (2) all risk property and casualty insurance for the replacement value of the Store and its contents; (3) business interruption insurance; (4) product liability insurance with limits of not less than \$1,000,000 per occurrence; (5) worker's compensation insurance and all other insurance required by law; and (6) any other insurance specified by the terms of your lease or by us. We may require you to obtain insurance coverage for other risks or increase the required amount of coverage and require different or additional insurance during the Franchise Agreement term.

Leases

If you will occupy the premises of your Franchised Store under a lease, then you must, before signing the lease, submit the lease to us for our review and approval, which will not be unreasonably withheld. Your lease or sublease (or rider to the lease or sublease) must contain the lease terms and conditions that we may reasonably require in writing, a current list of which is included as Exhibit G to the Franchise Agreement and Exhibit E to the Area Development Agreement.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section(s) in Franchise Agreement	Section(s) in Area Development Agreement	Disclosure Document Item
(a) Site selection and acquisition / lease	5.1	3.2	11
(b) Pre-opening purchases/leases	8.7	Not applicable	7 and 8
(c) Site development and other pre-opening requirements	5	3.2	8 and 11
(d) Initial and ongoing training	6	Not applicable	11
(e) Opening	5	Not applicable	11
(f) Fees	4 and 13	4	5 and 6
(g) Compliance with standards and policies/Operating Manual	8, 10, and 13	5	8, 11, and 14
(h) Trademarks and proprietary information	8.8, 8.10, 9, and 10.2	1.4	13 and 14

Obligation	Section(s) in Franchise Agreement	Section(s) in Area Development Agreement	Disclosure Document Item
(i) Restrictions on products/services offered	1.3 and 8.6	1	5, 8 and 16
(j) Warranty and customer service requirements	Not applicable	Not applicable	16
(k) Territorial development and sales quotas	1 and Exhibit A	1 and Exhibit A	12
(l) On-going product/service purchases	8	Not applicable	8
(m) Maintenance, appearance and remodeling requirements	8.13 and 8.14	Not applicable	8
(n) Insurance	14	Not applicable	7 and 8
(o) Advertising	13	Not applicable	6, 7, 8, and 11
(p) Indemnification	21.4	12.4	None
(q) Owner's participation / management and staffing	8.3 and 8.4	Not applicable	15
(r) Records/reports	12	5.3 and 5.4	6
(s) Inspections/audits	8.9	Not applicable	6 and 11
(t) Transfer	15	7	17
(u) Renewal	2.2	Not applicable	17
(v) Post-termination obligations	18.3	8.3	17
(w) Non-competition covenants	18	8	17
(x) Dispute resolution	27	16	17

ITEM 10 FINANCING

We do not offer direct or indirect financing, nor do we guaranty your notes, leases or other obligations, but we may decide to offer indirect financing in the future.

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

Except as listed below, Yo Fresh Inc. is not required to provide you with any assistance.

Pre-opening Obligations

Franchise Agreement. Before you open your Franchised Store:

1. We will approve or deny the proposed site for your Franchised Store. (Franchise Agreement, Section 5.1)

2. We will provide you with our standard initial training program for yourself (unless you are an Area Developer and the Franchise Agreement is for your third or subsequent Franchised Store) and up to two managers. Training is also discussed below in this Item 11 under the subheading “Training.” We will pay for the cost of instruction and materials for you and up to two additional trainees you designate, provided all trainees attend our initial training at the same time and subject to the terms stated in the Franchise Agreement. (Franchise Agreement, Sections 3.2, 6)

3. We will provide you or the approved design firm and/or architect with our prototype plans and specifications for the construction of a Store and for the exterior and interior design and layout, fixtures, equipment, furnishings, and signs. You must hire your own architect (which must be approved by us) or employ the design firm and/or architecture firm designated by us to adapt the plans to your site (with our approval as described below under the heading “Construction and Layout of Store”), and you must hire a contractor to build the Franchised Store according to the approved plans. You must make sure that the plans comply with all local and other requirements, including zoning, building codes, and the Americans with Disabilities Act. (Franchise Agreement, Sections 3.1, 5.1)

4. We have the right to inspect and approve the Franchised Store for opening before the initial opening. You may not start operation of your Franchised Store until receiving our approval in writing to do so. (Franchise Agreement, Section 5.2)

5. We will provide on-site pre-opening and opening supervision and assistance for up to four days. (Franchise Agreement, Section 3.3) If you are opening your second or later Franchised Store, we reserve the right to provide this assistance to you at our discretion only.

6. We will loan to you, for the duration of the Franchise Agreement, a copy of the Manual (which is more fully described in Item 14 below). The Table of Contents for the Manual is attached to this Disclosure Document as Exhibit H and contains a total of 390 pages. (Franchise Agreement, Section 3.4)

7. We will assist you in developing a Grand Opening Marketing Program, at your cost (which is more fully described in Item 7 of this Disclosure Document and in this Item under “Marketing”). (Franchise Agreement, Sections 3.6, 13.5)

8. We will provide you a list of our then-current designated or approved suppliers, which may include us and our affiliates. (Franchise Agreement, Section 3.9) Our list of approved suppliers is subject to change periodically, and any changes will be communicated to you in the operations manual.

Development Agreement: Before you open the Franchised Store:

1. We will approve or deny your proposed site for each Franchised Store. (Section 3.2)

2. We will provide you with site selection guidelines, including our minimum standards for store sites, and other site selection counseling and assistance as we deem appropriate. (Section 5.1)

3. If we determine that on-site evaluation is appropriate, we will provide one on-site evaluation at no additional cost and as we consider advisable for each Franchised Store to be developed under the Development Schedule. If you are developing your second or later Franchised Store, or if you request that we conduct additional on-site evaluations, then you must pay our then-current per diem rate and you must reimburse our representative’s expenses, including travel, lodging and meals (see Item 6).

Site Selection

Time to Open Store Under the Franchise Agreement

If you do not already possess a location that we find acceptable for a Store when you sign the Franchise Agreement, we will provide you with our guidelines for locating, evaluating, and obtaining our approval of a site. You will be given up to 180 days and a defined search territory in which to find a suitable site for your Store within the area that we designate as your designated trade area. Within this 180 day period after signing the Franchise Agreement, you must submit to us a completed site approval package in a form specified by us, which includes an option contract, letter of intent or other evidence satisfactory to us that describes your favorable prospects for obtaining the site, photographs of the site, demographic statistics, and any other information or materials that we may reasonably require (collectively, the “**Site Approval Package**”). We will have 30 days after we receive the Site Approval Package from you to approve or disapprove, in our sole discretion, the location for the Franchised Store. You must, on terms that we deem acceptable, secure a lease or a binding agreement for the purchase of the approved site. You will have up to six months to sign a lease or binding agreement for the approved site. (The lease or purchase agreement must be submitted to us for our approval before you acquire the approved site.) Under any of the above circumstances, you must be opened and operating not later than 12 months after you sign the Franchise Agreement. If we and you cannot agree on a site, we may terminate your Franchise Agreement.

Time to Open Store Granted Under an Area Development Agreement

For each proposed site for a Franchised Store to be developed under the Area Development Agreement, you must also submit to us a completed Site Approval Package. We will have 30 days after we receive the Site Approval Package from you to approve or disapprove, in our sole discretion, the location for the Franchised Store. You must, on terms that we deem acceptable, secure a lease or a binding agreement for the purchase of the approved site.

Under the Franchise Agreement and Area Development Agreement, we will be deemed to have disapproved a proposed location unless we have expressly approved it in writing. In approving a location for the Franchised Store, we consider the location, neighborhood, traffic patterns, visibility, parking facilities, size, lease, and zoning. If you do not locate and secure an acceptable site within the required time frames, you will be in default of your agreement with us for which we may terminate your agreement.

Under the Franchise Agreement and Area Development Agreement, our approval of (or failure to disapprove) a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Store or for any other purpose, or as to any expected level of sales, revenues or profits. Approval by us of the site indicates only that the site meets the minimum requirements for a Store site. All matters related in any way to your site are your responsibility, regardless of any assistance we or our affiliates may provide. Neither we nor any of our affiliates will have any liability for any site-related matter. You agree not to make any claims against us and/or any of our affiliates and/or the Brand Development Fund with regard to these matters.

Continuing Obligations

During the operation of your Franchised Store:

1. We may conduct, as we deem advisable, periodic inspections of the Franchised Store and may provide evaluations of the Products sold and services rendered at the Franchised Store. (Franchise Agreement, Sections 3.8, 8.7.2)

2. We will make available additional training programs, as we deem appropriate. (Franchise Agreement, Sections 6.4, 6.7)

3. We will give you periodic and continuing advisory assistance as to the operation and promotion of the Franchised Store, as we deem advisable. (Franchise Agreement, Section 3.7)

4. We will administer a Brand Development Fund for the benefit of all Stores in the System. (Franchise Agreement, Section 13.1)

5. We will periodically modify certain specifications and standards of our System, and you must comply with all revised specifications and standards. (Franchise Agreement, Section 8.21)

6. We may suggest pricing to you and we may designate the minimum and maximum prices you may charge. We do not guaranty you that by following our recommended or required prices you will enhance your sales or profits. (Franchise Agreement, Section 3.12)

7. We may also enforce approval for discounts, coupons or promotions of any nature that may affect your store.

Construction and Layout of Store

You must develop your Franchised Store according to our specifications. We will provide our standard plans and specifications for a prototype Store, including interior design and layout, to you or to the design firm or architect that we have designated or approved (as described below). These plans and layouts are not intended, with respect to your particular location, to contain, address or comply with the requirements of any federal, state or local law, code or regulation, including those concerning the Americans with Disabilities Act (the “**ADA**”) or similar rules governing public accommodations for persons with disabilities. We may periodically change our prototypes and plans (including our specifications for the interior and exterior appearances) for Stores, and develop or approve variations on our prototypes and plans to reflect locations with differing sizes, structural elements, visibility and other relevant factors.

You must hire a licensed architect (as described below) to prepare all required construction plans and specifications to suit the shape and dimensions of the approved site. We have the right to designate one or more suppliers of design and/or architecture services to perform these services for our franchisees. If we have designated a design or architecture firm before you begin to develop your Franchised Store, then you must employ the designated supplier to prepare all designs and plans for the Franchised Store. If we have not designated suppliers for design and architecture services for your geographic area, you must locate and employ a qualified design consultant and architect who are licensed in your jurisdiction and who are reputable and experienced in providing design and architecture services. You will pay for all design and architecture services, regardless of whether you use your own architect or our designated architect. We must approve of the architect and/or design firm you choose.

You must make sure that the plans and specifications for your Franchised Store comply with the ADA and all other applicable regulations, ordinances, building codes and permit requirements and with lease or sublease requirements and restrictions, if any. You must submit final plans and specifications to us for our approval before construction of the Franchised Store begins. Our review is not designed to assess compliance with federal, state or local laws and regulations and is limited to review of the plans to access compliance with our design standards for Stores, including trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain products and services that are central to the functioning of Stores. Additionally, before the Franchised Store opens (and before renovating it after the initial

opening), you must sign and deliver to us an ADA Certification (in the form that is attached as Exhibit B to the Franchise Agreement) certifying to us that the Franchised Store and any proposed renovations comply with the ADA.

Time to Open

Single Franchise Purchase Under Franchise Agreement

We estimate that the time period between when you sign the Franchise Agreement to when your Franchised Store opens will be approximately six to nine months. Factors that may affect this time period include your ability to obtain financing or building permits, zoning and local ordinances, weather conditions, shortages, or delayed installation of equipment, fixtures, signs, and hiring and training a qualified team to operate your Franchised Store. Unless we agree in writing otherwise, you must open your Franchised Store not later than six months after we approve the site for your Franchised Store.

Multi-Unit Purchase Under Development Agreement

If you are granted the right to open multiple Stores under a form of Area Development Agreement with us, then the Development Schedule set forth in that agreement will govern the time in which you must open each Franchised Store you are granted the right to open within your Development Area. Your failure to meet any Development Schedule obligation will be grounds for terminating your Area Development Agreement, including any future development rights.

Point-of-Sale / Computer System

You will need to acquire (either by purchase or lease) the point-of-sale or computer hardware and software system (a “**Computer System**”) that we may specify. (Franchise Agreement, Section 7.1.) The term Computer System refers to hardware, software for the management and operation of the Franchised Store and for reporting and sharing information with us, cash register systems, and communication systems (including modems, cables, etc.). Our requirements may fluctuate as does the price and availability of new computer technology.

As of the date of this Disclosure Document, you must purchase the POS system that we designate from our approved supplier (the “**POS System**”). The Computer System provides the following functions: manages guest checks, staff productivity, menu offerings, and restaurant operations and tracks sales by menu item. The approximate cost to purchase the hardware associated with the Computer System is approximately \$500 to \$5,000, which includes a POS System with two terminals, respectively. We do not currently designate a specific supplier for the Computer System, but it must be purchased from an authorized reseller of the POS systems. A typical Computer System installation will include two point-of-sale terminals and registers. We may require you to purchase additional equipment and software depending on the size and configuration of your Franchised Store. You must maintain a high-speed internet connection at all times (i.e., T1 line, DSL, cable modem). Other than the Computer System, we have not approved any other hardware in place of these systems and programs, although we reserve the right to do so in the future.

You must use the software we designated for use in connection with your POS System, which will currently be licensed by Toast. You must maintain a maintenance and upgrade contract for the Computer System at all times. While we cannot accurately estimate the costs associated with maintenance and upgrade contracts because the cost of the contract will depend on the types of services you choose, the rates charged by your supplier and the length of the contract, we anticipate that your costs will be approximately \$2,280 to \$4,000 per year (which includes your annual license fee for the proprietary software designated for use in connection with your POS System).

We reserve the right to change our specifications in the future to take advantage of technological advances or to adapt the system to meet operational needs and changes. We may require you to bring any computer hardware and software, related peripheral equipment, and communications systems into conformity with our then-current standards for new Stores. We will attempt to keep these changes infrequent and reasonable in cost, but the Franchise Agreement does not impose a limit as to the number or cost of changes to the Computer System.

We also reserve the right to develop (or to have developed for us) a proprietary software program for use with the Computer System. In connection with a proprietary program, we or our approved vendor may have you sign a license or maintenance agreement to obtain and use the proprietary program. Other than providing you with information regarding our specifications and requirements for the Computer System, we are not required to assist you in obtaining hardware, software or related services. Neither we nor any affiliate of ours will provide you with updates or upgrades to any component of your Computer System.

You must provide us with independent access to your Computer System in the form and manner that we may request. We reserve the right to download sales, other data and communications from your Computer System. There is no contractual limitation on our right to receive this information. We will exclusively own all data provided by you, downloaded from your Computer System, and otherwise collected from your Computer System. We will have the right to use this data in any manner that we deem appropriate without compensation to you.

Website / Extranet

Websites (as defined below) are considered as “marketing” under the Franchise Agreement, and are subject (among other things) to our review and prior written approval before they may be used (as described below). As used in the Franchise Agreement, the term “Website” means an interactive electronic document contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to the Store, Proprietary Marks, us, or the System. The term Website includes Internet, World Wide Web home pages, social networking home pages or any other home page or means of communication via the Internet.

In connection with any Website, the Franchise Agreement provides that you may not establish a Website related to the Proprietary Marks or the System, nor may you offer, promote, or sell any products or services, or make any use of the Proprietary Marks, through the Internet without our prior written approval. As a condition to granting any consent, we will have the right to establish any requirement that we deem appropriate, including a requirement that your only presence on the Internet will be through one or more web pages that we establish on our Website.

We will have the right to establish a website or other electronic system providing private and secure communications (*e.g.*, an extranet) between us, our franchisees, and other persons and entities that we decide are appropriate. If we require, you must establish and maintain access to the extranet in the manner we designate. Additionally, we may periodically prepare agreements and policies concerning the use of the extranet that you must acknowledge and/or sign.

You are strictly prohibited from promoting your Store and/or using the Proprietary Marks in any manner on social and/or networking Websites, such as Facebook, LinkedIn, MySpace, Yelp, Instagram, Snapchat and Twitter, without our prior written consent. We will control all social media initiatives. You must comply with our System standards regarding the use of social media in your Store’s operation, including prohibitions on your and the Store’s employees posting or blogging comments about the Store or the System, other than on a website established or authorized by us (“social media” includes personal blogs,

common social networks like Facebook and MySpace, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). We will provide access to branded social media pages/handles/assets, and you must update these regularly. We reserve the right to conduct collective/national campaigns via local social media on your behalf.

Marketing

Recognizing the value of marketing, and the importance of the standardization of marketing programs to the furtherance of the goodwill and public image of the System, we reserve the right to require you to conduct local marketing and promotion and/or participate in a regional marketing cooperative, and to participate in and contribute to a System-wide Brand Development Fund.

Brand Development Fund

When your Store opens for business, you must begin contributing to the Brand Development Fund. Stores owned by us and our affiliates will not contribute to the Brand Development Fund on the same basis as our franchisees. Currently you must contribute 2% of Gross Sales to the Brand Development Fund. We expect that we will typically distribute marketing and advertising in one or more of print, radio, television or other electronic media.

We (or our designee, which might be a corporate subsidiary, an advertising agency or consulting firm) will maintain and administer the Brand Development Fund, as follows:

- (a) We (or our designee) will direct all marketing programs, with the sole right to decide the concepts, materials, and media used in these programs and the placement and allocation of the programs. The Brand Development Fund is intended to maximize general public recognition, acceptance, and use of the System. Neither we nor our designee will be obligated to make expenditures for you that are equivalent or proportionate to your contribution, or to make sure that any particular franchisee benefits directly or *pro rata* from expenditures by the Brand Development Fund. We do not have to spend any amount on advertising in your area or territory.
- (b) The Brand Development Fund, and all contributions to and earnings from the Brand Development Fund, will be used exclusively to meet the costs of marketing and any other activities that we believe will enhance the System's image and, in our sole discretion, promote general public awareness of and favorable support for the System. This includes the costs of preparing and conducting marketing campaigns; placing white and yellow pages advertisements; production, sampling and delivery of products; direct mail marketing; marketing surveys and other public relations activities; developing and maintaining our Website and social media sites such as Facebook and Twitter; employing advertising or public relations agencies; implementing technological upgrades to systems and processes; purchasing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; digital technologies; training tools; hiring spokespeople and providing promotional and other marketing materials and services to the Stores operated under the System. We may also use money from the Brand Development Fund to present additional or refresher training courses.
- (c) All money you pay to the Brand Development Fund will be accounted for separately from our general operating funds, although we may commingle the money. The Brand Development Fund is not and will not be our asset. We will have the right to charge the

Brand Development Fund for our reasonable administrative costs and overhead in activities reasonably related to the direction and implementation of the Brand Development Fund and marketing programs for you and the System (for example, salaries, costs of our personnel for creating and implementing, associated overhead, advertising, merchandising, promotional and marketing programs). The Brand Development Fund and its earnings will not otherwise benefit us, nor will the Brand Development Fund be used to solicit the sale of franchises (except for a portion of our Website related to the franchise opportunity). We will prepare, and furnish to you upon written request, an annual, unaudited statement of funds collected and costs incurred.

- (d) We may occasionally make available to franchisees marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, and similar marketing and promotional materials produced from contributions to the Brand Development Fund. Additionally, we may sell these items to franchisees in the System at a reasonable price, and any proceeds from any those sales will be contributed to the Brand Development Fund.
- (e) If all of the money in the Brand Development Fund is not used in the year in which it is received, these amounts will be used in the next fiscal year. Although the Brand Development Fund is intended to be of perpetual duration, we maintain the right to terminate the Brand Development Fund. The Brand Development Fund will not be terminated, however, until all monies in the Brand Development Fund have been spent for marketing or promotional purposes. If, after we terminate the Brand Development Fund, we choose to reinstate it, the reinstated Brand Development Fund will be maintained and administered as described above.

During the fiscal year ended December 31, 2021, the Brand Development Fund had the following expenditures: 4.3% for web and application; 11.7% for advertising and promotion; 18.6% for branding; 28.2% on social media; 6.3% on public relations; 28.0% on administration; 0.2% on research and development; and 2.7% on other.

Cooperative Fund

We will have the right, as we see fit, to establish a Cooperative Fund for your region, or we may approve of a Cooperative Fund formed by our franchisees in a particular region. The purpose of a Cooperative Fund is to conduct marketing campaigns for the Stores located in that region. Any Stores owned by us or our affiliates in a region will participate in a Cooperative Fund on the same basis as our franchisees. The maximum contribution to a Cooperative Fund shall not be more than 1% of Gross Sales. Any amounts paid to a Cooperative Fund will count as part of your local marketing requirement, but if the amount you contribute to a Cooperative Fund is less than the amount you must spend for local advertising, you must still spend the difference locally. As of the date of this Disclosure Document, there are no Cooperative Funds in existence.

If a Cooperative Fund for your area was established before you began to operate your Franchised Store, then when you open your Franchised Store, you must immediately join that Cooperative Fund. If a Cooperative Fund for your area is established after you begin to operate your Franchised Store, then you will have 30 days to join the new Cooperative Fund. An individual Store will not need to be a member of more than one Cooperative Fund. If we (or an affiliate) contribute to a Cooperative Fund, we will have the same voting rights for our Stores as do our franchisees with respect to their Stores.

A Cooperative Fund may be governed according to written documents and, if so, the governing documents must be approved by us. Cooperative Funds may not use marketing, promotional plans, or materials without our prior written approval, as described below under the heading “Local Marketing and Promotion.” The members of the Cooperative Fund will determine the amount to be contributed by each member and the due date(s) of the contributions. If the amount you contribute to a Cooperative Fund is less than what you must spend on local marketing and promotion, then you must spend the difference locally. We will have the right to form, change, merge or terminate any Cooperative Fund.

Local Marketing and Promotion

Certain criteria will apply to any local marketing and promotion that you conduct. You must spend a minimum of \$10,000 yearly. All of your local marketing and promotion must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You, or any Cooperative Fund, may not use any marketing or promotional plans that we have not approved in writing. You must submit to us samples of all proposed plans and materials. If we do not give our specific approval of the proposed materials within 15 days, we will have been deemed to have not approved the plans or materials. Any materials you submit to us will become our property, and there will be no restriction on our use or distribution of these materials. At our request, you must include certain language in your local marketing and promotion, including “Franchises Available,” our website address and our phone number.

All copyrights in and to marketing and promotional materials you develop (or that are developed for you) will become our sole property. You must sign the documents (and, if necessary, require your independent contractors to sign the documents) that we deem necessary to implement this provision. (The requirements in this paragraph, as well as in the previous paragraph, will also apply to any Cooperative Funds.)

As used in the Franchise Agreement, the term “local marketing and promotion” refers to only the costs of purchasing and producing marketing materials (such as camera-ready marketing), media (space or time), promotion, and your direct out-of-pocket expenses related to costs of marketing and sales promotion in your local market or area. Local marketing and promotion also includes associated advertising agency fees and expenses, postage, shipping, telephone, and photocopying costs. Local marketing and promotion may also include charitable contributions (such as a fund raiser event at your Store or contribution of products for a charity event), but only if we approve it in advance. “Local marketing and promotion” does not, however, include any of the following: salaries and expenses of your employees; political or other contributions; telephone directory listings, and the value of discounts given to customers.

In addition, you must obtain listings in the white and yellow pages directories serving your Designated Territory, as well as in electronic yellow pages or other on-line directories. The cost of these listings shall be in addition to the amount you must spend for local marketing and promotion. We have the right to place listings on your behalf, and you agree to reimburse our costs for doing so. If there are multiple franchisees served by the telephone directories, we may require those franchisees to participate in a joint listing, and each franchisee will pay his proportionate share of the costs. In addition, we may use money from the Brand Development Fund to place these listings on your behalf.

Opening Marketing Program

As discussed in Item 7, you must prepare and conduct an opening marketing program (the “**Opening Marketing Program**”), in accordance with our specifications for that program. The Opening Marketing Program must be conducted in the 21 days immediately after the Store opens. All materials used in the Opening Marketing Program will be subject to our prior written approval, as described above. The

Opening Marketing Program is considered “local marketing and promotion” and is therefore subject to the restrictions described above. We will work with you to develop your Opening Marketing Program for your market. You must spend no less than \$8,000 on your Opening Marketing Program. We, our affiliates or approved suppliers may periodically make available to you, for purchase, certain marketing plans and promotional materials for your use in local marketing and promotion.

Advisory Councils

We have the right to form one or more advisory councils to work with us to improve the System, improve marketing, or to advise us on other matters. If we choose to form an advisory council, the council will operate according to by-laws that we develop, and the members will include our representatives and franchisee representatives. The franchisee representatives may be chosen by us or elected by the franchisees. If formed, the advisory councils will act in an advisory capacity only and will not have decision making authority. We have the right to form, change, merge or dissolve any advisory council at any time. There are not currently any advisory councils.

Training

Not later than 30 days before your Franchised Store opens, you must complete all of our initial training requirements to our satisfaction. Unless you are an Area Developer and you are opening your third or subsequent Franchised Store (the differing requirements for Area Developers are described below) you (or, if you are other than an individual, your Designated Principal) and two managers, for a maximum of three people, must attend and complete, to our satisfaction, the initial training program that we offer at a location designated by us. This initial training program is mandatory. You must, at all times, have at least one manager in your Store that has been certified according to the criteria we establish.

We will not charge any tuition or training fee to provide the initial training program to you and up to two other trainees you designate, provided all three individuals attend the initial training program at the same time. You must pay all expenses incurred by the trainees while attending the training, including transportation, lodging, meals, wages, and worker’s compensation insurance (see Items 6 and 7 of this Disclosure Document). If you want to send additional people to our initial training program, you must pay our then-current training fee and you must pay for these trainees’ expenses, as described above.

If you are an Area Developer, then by the time you are developing your third Franchised Store, you must be prepared (by meeting all of our requirements) to train the managerial personnel for your third and subsequent Franchised Stores. This requires that you have management personnel who have completed to our satisfaction our initial training program and who continue to meet our standards and requirements for providing this training to other managers, and that you conduct the training of these additional managers according to the programs and requirements that we specify in the Manual and other written materials. If we determine that you or your managers do not meet these requirements, we may require that your additional managers attend and complete the initial training program we provide for new franchisees, at your expense, including our then-current training fee and the trainees’ expenses.

If you (or the Designated Principal) or any manager is no longer actively employed in the Franchised Store, then you must enroll a qualified replacement (who must be reasonably acceptable to us) in our initial training program within 45 days after the employment of the first person ends, provided that you may train managers if we have qualified you to do so. The replacement Designated Principal and any required managers shall complete the initial training program as soon as is practicable, but in no event later than any time periods we specify in the Manual and otherwise in writing. Replacement managers must be trained according to our standards and you may be permitted to provide training directly, if you meet our then-current standards for qualifying as a training facility. We have the right to review any personnel you

trained and to require that these persons attend and complete, to our satisfaction and at your expense, our initial training program.

As part of the opening of your Franchised Store, we will conduct pre-opening training and opening assistance at your Franchised Store for up to four days. We will bear the costs associated with providing this training, and we will determine the length of time our representative will spend at your Franchised Store. Before our representative arrives at your Franchised Store, you must have completed the training of your initial staff of employees. During this training, our representative will also assist you in establishing and standardizing procedures and techniques essential to the operation of a Store and will assist in training personnel. We will not provide training or offer guidance with respect to complying with any laws, ordinance or other legal matters. We reserve the right to not provide this opening assistance if you are opening your second (or later) Franchised Store.

If you request additional days of on-site training either in connection with your opening or during the term of your Franchise Agreement, you must pay our then-current per diem fee for each trainer we provide, and you must reimburse us for all out of pocket costs and expenses associated with the additional training, including lodging, food and travel arrangements of the trainers. (See Item 6 regarding the costs.)

The subjects covered in the initial training program are described below. We currently anticipate that you and your managers will attend up to approximately 13 days of training. The materials for the training will be provided through our Manual, handouts and use of other presentation tools. We have the right to change the duration and content of our initial training program at any time, including changing the training program, based on any previous experience or the individual needs of a trainee. We will provide you with certain instructional materials during the training program. These materials are proprietary in nature and must only be used in connection with operating your Franchised Store and training other non-management personnel, if applicable. Below please find a general overview of our initial training program:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
History/Philosophy of 16 Handles	1.5	0	New Jersey, New York City or other location we designate
Use of the Manual	0.5	0	New Jersey, New York City or other location we designate
Tour of the Restaurant	0	0.5	New Jersey, New York City or other location we designate
Pre-Opening Procedures	.5	4	New Jersey, New York City or other location we designate
Suggested Resources to Comply with Personnel, Employment and Labor-Related Issues	2	0	New Jersey, New York City or other location we designate
Advertising and Marketing	2	0	New Jersey, New York City or other location we designate

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Management Procedures; Operational Efficiency	5	11	New Jersey, New York City or other location we designate
Franchise Reporting Requirements	2	0	New Jersey, New York City or other location we designate
Accounting/Record keeping	2	4	New Jersey, New York City or other location we designate
Customer Service Procedures	1	1	New Jersey, New York City or other location we designate
Front of House – Counter Personnel	.5	8	New Jersey, New York City or other location we designate
Back of House – Prep Procedures/Machine Operators	1	9	New Jersey, New York City or other location we designate
Novelties/Catering	1	5	New Jersey, New York City or other location we designate
Training Process	1	1	New Jersey, New York City or other location we designate
Day Parts Procedures	1	1	New Jersey, New York City or other location we designate
Delivery Procedures	1	4	New Jersey, New York City or other location we designate
Inventory Management, Ordering and Vendor Relationships	2	12	New Jersey, New York City or other location we designate
POS System	2	2	New Jersey, New York City or other location we designate
Cleaning Procedures/Closing	1	14	New Jersey, New York City or other location we designate
Safety Procedures	1	1	New Jersey, New York City or other location we designate
TOTAL	28	77.5	

Parts of the initial training will be held at our headquarters in New Jersey as well as a corporate store in New York City or at another location we designate. In the future, we may conduct portions of the training at other company or affiliate-owned Stores or additional training facilities. Our initial training program must be completed at least 30 days before the scheduled opening of your Franchised Store.

Our initial training program is overseen by our VP of Operations and Franchise Development, Craig Cohen. Mr. Cohen has approximately one year of experience with us, and was previously an operator of Five Guys and Subway stores.

In addition, we may offer refresher courses, seminars, remedial and other training programs. We reserve the right to use money from the Brand Development Fund to pay for the cost of presenting refresher training, seminars or other training programs, but if the program is voluntary, we have the right to charge a nominal fee for the program in addition to your attendees' expenses. You must pay for all expenses your attendees incur, including travel, lodging, meals and wages. We do not expect that we will require you to attend more than five days of additional training in any calendar year.

We may also hold periodic meetings of our franchisees to discuss improvements to the System, to provide additional or refresher training, to introduce new products, and other issues. Additionally, we may hold leadership classes on topics surrounding the operation of the Franchised Store. If we choose to hold a franchisee meeting, we will pay for the cost of holding the meeting, but you must pay for any costs incurred by your attendees, including travel, lodging, meals and wages. We are not required to hold a franchisee meeting until we believe it is appropriate to do so.

In addition to the training we provide, we may require some or all of your employees to be ServSafe certified. ServSafe training and certification is provided by an unaffiliated third party.

Gift Card / Frequent Buyer Program

We reserve the right to establish a program for all franchisees to sell or otherwise issue gift cards or certificates (together "**Gift Cards**"), as well as a frequent buyer program. When these programs are made a part of the System, you must participate by offering Gift Cards and frequent buyer cards or a frequent buyer app to your customers and honoring all Gift Cards presented to you as payment for products, regardless of whether the Gift Card was issued by you or another Store. As of the Issuance Date of this Disclosure Document, we have established a number of policies and procedures with respect to our Gift Cards, including policies regarding: (i) when a franchisee is required to pay a royalty in connection with a Gift Card; (ii) the procedure by which Stores will interact within one another, including payment terms, in connection with a Gift Card that is purchased at one Store and redeemed at a different Store location; and (iii) your obligation to pay us the amount necessary to cover any liabilities associated with Gift Cards that were purchased at your Franchised Store but not redeemed as of the date your Franchise Agreement is terminated by us for cause or when you close your Store (the "**Gift Card Liability Payment**").

You must also participate in any program we develop for frequent buyers, senior citizens, children and other categories, which may include providing discounted or complimentary products. (Franchise Agreement, Section 8.11).

Manual

You must comply with all of the specifications, procedures, and standards set out in our Manual. The table of contents to our Manual is contained in Exhibit I. Our Manual includes a total of approximately 390 pages.

ITEM 12

TERRITORY

Franchise Agreement

Site Selection Search Area; Designated Territory

Upon the signing of the Franchise Agreement, you will receive a defined site selection search area which will be exclusive to you for a period of three months. Upon the signing of a lease within the search area, you will then receive a designated Territory (“Designated Territory”) which varies based on demographics, population and competition. Your Franchise Agreement will specify the site that will be the Approved Location for your Franchised Store.

During the term of the Franchise Agreement, we will not establish or operate, nor license any other person to establish or operate, a Store utilizing the Proprietary Marks and System from a site that is in the Designated Territory, except as provided for in this Item. The size and scope of a Designated Territory will be contained in the Franchise Agreement and will be determined according to whether the Approved Location is an urban area or a suburban area.

If your Store will be located (a) at a non-traditional site (such as mall food courts, airports, hospitals, cafeterias, commissaries, schools, hotels, office buildings and stadiums, arenas, ballparks, festivals, fairs, military bases and other mass gathering locations or events), or (b) in a major metropolitan location (such as a densely populated city), we reserve the right to not grant you a Designated Territory.

For the reasons set forth in the preceding paragraph and because we reserve the right to open, or license third parties the right to open, a Store at a “non-traditional site” (defined above) in a Designated Territory, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

There are no circumstances under which the Designated Territory may be altered before expiration or termination of the Franchise Agreement. Your territorial protection is not dependent upon achievement of a certain sales volume, market penetration, or other factors, other than compliance with the Franchise Agreement.

Relocation

If, during the term of the Franchise Agreement, you wish to relocate your Franchised Store, or if the Franchised Store is damaged or destroyed and cannot be repaired within 60 days, you must submit to us in writing the materials we need to consider your request, including information concerning the proposed new location for the Franchised Store, and you must pay our relocation fee (see Item 6). You must also meet certain other requirements, including being in compliance with the Franchise Agreement, the location meets our then-current requirements for a Store and is located within your Designated Territory, and you must sign our then-current form of Franchise Agreement. If we permit you to relocate, you will not pay a new initial franchise fee when you sign the new Franchise Agreement, but you may be required (at our option) to pay us a relocation fee (see Item 6). (Franchise Agreement, Section 8.19)

Activities Within and Outside any Designated Territory

You may sell our products and related merchandise to retail customers and prospective retail customers who live anywhere but who choose to shop in your Store. You may not engage in any promotional activities or sell our products or similar products, whether directly or indirectly, through or on

the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the “Electronic Media”); through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere. While you may place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located within your Designated Territory, you will not be deemed to be in violation of the Franchise Agreement if those advertisements, because of the natural circulation of the printed media or reach of television and radio, are viewed by prospective customers outside of your Designated Territory. You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not sell our products to any business or other customer for resale.

Additional Disclosures

We have not yet established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark, but we reserve the right to do so in the future.

Except for the Stores operated by our affiliates, neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned Stores which sell our products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

Development Agreement; Development Area

If you sign an Development Agreement, the Development Agreement will specify the Development Area within which you may locate potential sites for Stores, subject to our approval. The size and scope of the Development Area will be determined on a case-by-case basis, as we mutually agree upon before signing the Development Agreement and will be specified in the Development Agreement.

The factors that we consider in determining the size of a Development Area include current and projected market demand, demographics and population, traffic patterns, location of other Stores, your financial and other capabilities, the number of Stores you wish to develop and our development plans. During the term of the Development Agreement, if you comply with the obligations under the Development Agreement and all of the Franchise Agreements between you (and your affiliates) and us, we will not establish or operate, nor license anyone other than you to establish or operate, a Store in the Development Area. Except as described below, there are no circumstances under which the Development Agreement may be altered before expiration or termination of the Development Agreement. Your territorial protection is not dependent upon achievement of a certain sales volume, market penetration, or other factors, other than compliance with the Development Agreement and Development Schedule.

If you do not comply with a deadline under the Development Schedule (a “**Missed Deadline**”), you will be in default under the Development Agreement. For one Missed Deadline, we will provide you with an opportunity to cure your default and we will determine and notify you of a new deadline for that one Missed Deadline (without changing the remainder of the Development Schedule). If you also miss that new deadline, and/or upon the occurrence of a second Missed Deadline, we may terminate your Development Agreement, or we may elect to take one or more of the following actions: (a) stop crediting portions of the Development Fees paid towards the Franchise Fees for the Franchised Stores to be developed (see Item 5 for explanation of credits); (b) eliminate the limited exclusivity or reduce the scope of protections granted to you within the Development Area; (c) reduce the scope of the Development Area; (d) reduce the number of Franchised Stores for you to develop, or (e) retain all Development Fees paid to

us. If we elect to take one or more of these actions, we will provide written notice of the action, and the Development Agreement will be amended to reflect the changes.

Our Reserved Rights

Under both the Franchise Agreement and Development Agreement, we and our affiliates retain all the rights that we do not specifically grant to you. Among the rights that we retain are the following (the following list is only for purposes of illustration and is not meant to limit our rights):

(1) We may own, acquire, establish, and/or operate and license others to establish and operate businesses, including Stores operating under the Proprietary Marks and the System selling the Products at any location outside your Designated Territory or Development Area regardless of their proximity to, or potential impact on, your Designated Territory or Development Area or Franchised Stores.

(2) We may own, acquire, establish and/or operate, and license others to establish and operate, non-Store businesses under the Proprietary Marks at any location within or outside the Designated Territory or Development Area.

(3) We may own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether these businesses are similar or different from the Franchised Store, at any location within or outside the Designated Territory or Development Area, notwithstanding their proximity to the Designated Territory or Development Area or the Approved Location or their actual or threatened impact on sales of the Franchised Store.

(4) We may own, acquire, establish, and/or operate, and license others to establish and operate, Stores under the Proprietary Marks at Non-Traditional Sites (as defined above) at any location within or outside the Designated Territory or Development Area.

(5) We may sell and distribute, directly or indirectly, or license others to sell and to distribute, directly or indirectly, within and outside your Designated Territory any products (including the Products) through grocery stores, club stores or convenience stores or through outlets that are primarily retail in nature, or through alternative distribution channels (including, mail order, catalog sales, telemarketing, toll free numbers, the Internet, mobile vending trucks/carts, and other direct marketing sales), including those products bearing our Proprietary Marks, provided that distribution within the Designated Territory, without our prior consent, or Development Area shall not be from a brick and mortar Store established under the System that is operated from within the Designated Territory or Development Area (except from a Store at a Non-Traditional Site). You may not use alternative distribution channels to make sales outside or inside your Designated Territory and you will not receive any compensation for our sales through alternative distribution channels.

(6) We reserve the right to sell memorabilia, food novelties and gift cards from our website. If we do this, we will fulfill the order and you are not entitled to any portion of the revenue from these orders, even if the order was generated from or delivered to your Designated Territory.

Your territorial rights are not dependent upon achievement of a certain sales volume or market penetration. Except as provided in this Item, there are no other circumstances that permit the franchisor to modify the franchisee's territorial rights.

ITEM 13

TRADEMARKS

You will have the limited right to use the following Proprietary Marks that we or our affiliate has registered with the United States Patent and Trademark Office (“USPTO”), as well as any other Proprietary Marks we may now or in the future designate in connection with the System, in connection with your Franchised Store (please note that the Development Agreement does not allow you to use the Proprietary Marks):

Mark	Registration Date	Registration Number	Register
16 Handles	May 12, 2009	3,620,574	Principal
16 Handles (and design/logo)	February 21, 2012	4,101,761	Principal
16 HANDLES	September 6, 2016	5,036,250	Principal

We have and intend to file all affidavits and to renew the registrations for the Proprietary Marks when they become due.

There are currently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or the trademark authorities of any state or court concerning the Proprietary Marks.

There is no pending material litigation involving the Proprietary Marks that may be relevant to their use in this state or in any other state. We do not know of any infringing uses that could materially affect your use of the Proprietary Marks in this state or elsewhere.

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. We have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We will defend you against any third-party claim, suit, or demand arising out of your use of the Proprietary Marks. If we determine that you have used the Proprietary Marks in accordance with the Franchise Agreement you have signed to operate the Franchised Store, we will bear the cost of defense, including the cost of any judgment or settlement. However, if we determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement you have signed to operate the Franchised Store, you must bear the cost of defense, including the cost of any judgment or settlement and any out-of-pocket expenses relating to the third-party claim. If there is any litigation relating to your use of the Proprietary Marks, you must sign all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action. Unless litigation results from your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement we will also reimburse you for your out-of-pocket costs.

We reserve the right to substitute different proprietary marks for use in identifying the System and the Stores operating under it if we, in our sole discretion, determine that substitution of different marks as Proprietary Marks will be beneficial to the System. You must promptly implement any substitution of new Proprietary Marks at your cost.

You must not use the Proprietary Marks (including our service marks) as part of your corporate, partnership, or other legal name, or to identify you or your Franchised Store in any other legal activity, or as part of any e-mail address, domain name, or other identification of you or your Franchised Store in any electronic medium, unless agreed to in advance, in writing, by us. As necessary to conduct the business of your Franchised Store and obtain business permits for the operation of your Franchised Store, you may indicate that your Franchised Store will be doing business under the trade name “16 Handles,” provided that you clearly identify yourself as the owner and operator of the Franchised Store and properly identify the legal name under which you (or your business entity) will be acting.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

No patents are material to the operation of your Franchised Store.

Copyrights

We claim copyright protection covering various materials used in our business and the development and operation of Stores, including the Manual, marketing and promotional materials, and similar materials. We have not registered these materials with the United States Registrar of Copyrights, but we do not need to do so.

There are no currently effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow franchisees to use the copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our affiliates will have any obligation to reimburse you for any expenses you incur because of any discontinuance or modification.

All rights, title, and interest in marketing and promotional materials that you develop or prepare (or that are prepared by someone on your behalf) or that bear any Proprietary Marks will belong to us. You must sign any documents we reasonably deem necessary to evidence our right, title, and interest in and to any marketing and promotional materials. We will have the right to use these materials and to provide them to other franchisees and marketing funds and programs of the System, without compensation to you, regardless of how the materials were developed. Additionally, we may periodically require that you sign a license agreement for the use of proprietary materials that we provide to you in an electronic format.

Confidential Information

Except for the purpose of operating the Franchised Store under a Franchise Agreement and developing Franchised Stores under an Area Development Agreement, you may never (during the Agreement’s term or afterwards) communicate, disclose, or use for any person’s benefit any of the confidential information, knowledge, or know-how concerning the development and operation of the Franchised Store that may be communicated to you or that you may learn by virtue of your operation of a Store. You may divulge confidential information only to those of your employees who must have access to it to operate the Franchised Store. Any information, knowledge, know-how, and techniques that we designate as confidential will be deemed “confidential” for purposes of the Franchise Agreement and the

Area Development Agreement. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, we may require you, your Designated Principal, other owners, managers, and your employees with access to confidential information to sign confidentiality and non-competition agreements. Each of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Franchised Store. These agreements must be in a form that we find satisfactory, and must include specific identification of us as a third party beneficiary with the independent right to enforce the covenants. Our current forms for this agreement are included as Exhibit F to the Franchise Agreement.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Under the Franchise Agreement, you (or if you are an entity, your Designated Principal) must be involved in the general oversight and management of the operations of the Franchised Store. We expect that you or your Designated Principal will act as the general manager for your Franchised Store. We will have the right to rely upon the Designated Principal to have the responsibility and decision-making authority regarding your business and operations. Your Designated Principal must have at least a 10% ownership interest in you. You must at all times have at least one manager for your Store. If any of your managers fails to satisfactorily complete our initial training program or if your manager is no longer an employee, you must designate a replacement manager within 45 days, who is acceptable to us and who satisfactorily completes our training program, at your expense.

Under the Area Development Agreement, you (or if you are an entity, your Designated Principal) must be involved in the general oversight and development of the Franchised Stores, as well as the operations of the Franchised Stores that are developed under the Area Development Agreement. We will have the right to rely upon the Designated Principal to have the responsibility and decision-making authority regarding your business and operations.

Under both a Franchise Agreement and an Area Development Agreement, if you are other than an individual, we may require that your owners personally sign a guaranty (in the forms included as Exhibit E to the Franchise Agreement and Exhibit D to the Area Development Agreement), guarantying the legal entity's obligations under that agreement. Additionally, you or your owners and your employees with access to confidential information or who have received training may be required to sign covenants to maintain confidentiality and not compete with businesses under the System (our current forms for this agreement are included in Exhibit F to the Franchise Agreement). See Items 14 and 17 for a description of these obligations.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may sell and provide only products and services that we have approved in writing and which conform to our standards and specifications (see also Item 8 above). We have the right, without limit, to change the types of authorized products and services. You must carry and sell all Products that we approve and specify to be offered by all Stores, unless we otherwise provide our written approval.

You may only sell to retail customers at or from the Approved Location. You may not engage in any other type of sale, offer to sell, or distribution of Products, except with our prior written consent. For

example, you may not sell products by alternative distribution channels, as described in Item 12. You are not restricted as to the customers you may solicit or sell to, except as described in Item 12.

You must not use the Franchised Store for any other business or operation or for any other purpose or activity at any time without first obtaining our prior written consent. You must keep the Franchised Store open and in normal operation for the minimum hours and days as we may specify, subject to local law or the terms of your lease. You must operate the Franchised Store in strict conformity with the methods, standards, and specifications as we prescribe in the Manual or in writing.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

FRANCHISE AGREEMENT

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

Provision	Section in Franchise Agreement	Summary
(a) Length of the term of the franchise	Section 2.1	Ten years.
(b) Renewal or extension of the term	Section 2.2	Two renewal terms of five years each.
(c) Requirements for you to renew or extend	Section 2.2	Notice to us, satisfaction of monetary obligations, compliance with Franchise Agreement, sign release, sign new Franchise Agreement, pay renewal fee, and others You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of your Designated Territory will remain the same, and the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees.
(d) Termination by you	Not Applicable	
(e) Termination by us without cause	Not Applicable	
(f) Termination by us with cause	Section 16	Default under Franchise Agreement, bankruptcy, abandonment, and other grounds. Under the U.S. Bankruptcy Code, we may not be able to terminate the agreement merely because of a bankruptcy filing.

Provision	Section in Franchise Agreement	Summary
(g) “Cause” defined – defaults which can be cured	Sections 16.3 and 16.4	Failure to pay money when owed, failure to permit us to inspect, failure to operate the Store as directed, and all other defaults not specified in §§ 16.1 and 16.2 of the Franchise Agreement
(h) “Cause” defined – defaults which cannot be cured	Sections 16.1 and 16.2	Bankruptcy, abandonment, conviction of felony, and others; see § 16.2. of the Franchise Agreement (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.)
(i) Your obligations on termination/nonrenewal	Section 17	Stop operating the Franchised Store, pay amounts due, and others.
(j) Assignment of contract by us	Section 15.1	There are no limits on our right to assign the Franchise Agreement.
(k) “Transfer” by you - defined	Section 15.2	Includes transfer of any interest.
(l) Our approval of transfer by you	Section 15.2	We have the right to approve transfers and can apply standards to determine whether the proposed transferee meets our requirements for a new franchisee.
(m) Conditions for our approval of transfer by you	Sections 15.3 and 15.4	Transferee qualifies, is trained and signs new Franchise Agreement, you sign release, payment of transfer fee, and others
(n) Our right of first refusal to acquire your business	Section 15.6	We can match any offer.
(o) Our option to purchase your business	Section 17.9	We have the option to purchase assets related to the operation of the Franchised Store upon termination or expiration of your Agreement.
(p) Your death or disability	Sections 15.7, 15.8, and 15.9	Your estate must transfer your interest in the Franchised Store to a third party we have approved within a year after death or six months after the onset of disability.
(q) Non-competition covenants during the term of the franchise	Sections 18.2 and 18.5	Includes prohibition on engaging in any other business offering predominantly frozen dessert items; and soliciting or diverting customers to other businesses; and others

Provision	Section in Franchise Agreement	Summary
(r) Non-competition covenants after the franchise is terminated or expires	Sections 18.3 and 18.5	Includes a two year prohibition (after the term of your Franchise Agreement) similar to “q” (above), within (a) the Designated Territory, or (b) 25 miles of any other Store that is open or under development as of the expiration/termination of your Franchise Agreement. During that two year prohibition period, you must also refrain from soliciting or attempting to solicit any supplier or vendor that we designated or approved for use in connection with your Franchised Store, for any competitive purpose.
(s) Modification of the agreement	Section 25	Must be in writing signed by both parties.
(t) Integration/merger clause	Section 25	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
(u) Dispute resolution by arbitration or mediation	Section 27.2 Section 27.3	You must first submit all dispute and controversies arising under the Franchise Agreement to our management and make every effort to resolve the dispute internally. At our option, all claims or disputes arising out of the Franchise Agreement must be submitted to non-binding mediation, which will take place at our headquarters in New Jersey. You must notify us of any potential disputes and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated, the parties will split the mediator’s fees and bear all of their other respective costs of the mediation.
(v) Choice of forum	Section 27.4	Subject to Sections 27.2 and 27.3, all claims, causes of action or disputes arising out of or relating to your Franchise Agreement or Franchised Store must be brought before a court of general jurisdiction that is closest to our headquarters in New Jersey or, if appropriate, the United States District Court for the District of New Jersey. You agree that there will be no class actions. (subject to applicable state law).

Provision	Section in Franchise Agreement	Summary
(w) Choice of law	Section 27.1	New Jersey (subject to state law).

DEVELOPMENT AGREEMENT

Provision	Section in Area Development Agreement	Summary
(a) Length of the term of the franchise	Attachment A of Area Development Agreement	The earlier of (a) the last date in your Development Schedule, or (b) the date you secure a Premises and we grant you a Designated Territory for the last Franchised Store you are granted under your Area Development Agreement.
(b) Renewal or extension of the term	Not Applicable	
(c) Requirements for you to renew or extend	Not Applicable	
(d) Termination by you	Not Applicable	
(e) Termination by us without cause	Not Applicable	
(f) Termination by us with cause	Section 6	We can terminate if you default.
(g) "Cause" defined – defaults which can be cured	Sections 6.3 and 6.4	All other defaults not specified in Sections 6.1 and 6.2 of Area Development Agreement.
(h) "Cause" defined – defaults which cannot be cured	Sections 6.1 and 6.2	Bankruptcy; repeated failures to meet requirements; or failure to cure a default, failure to meet Development Schedule; termination of any individual Franchise Agreement for a Franchised Store operated by you or a person or entity affiliated with you.
(i) Your obligations on termination/nonrenewal	Section 6.6	Stop establishing or operating Franchised Stores under the System for which Franchise Agreements have not been signed at the time of termination and compliance with covenants.
(j) Assignment of contract by us	Section 7.1	There are no limits on our right to assign the Area Development Agreement.
(k) "Transfer" by you - defined	Section 7.2	Includes a transfer of an interest in the Area Development Agreement, developer entity, or any material asset of your business.

Provision	Section in Area Development Agreement	Summary
(l) Our approval of transfer by you	Section 7.2	We have the right to approve transfers.
(m) Conditions for our approval of transfer by you	Sections 7.2 and 7.3	Any of the conditions for transfer described in the Franchise Agreement attached to the Area Development Agreement that we deem applicable, and simultaneous transfer of Franchise Agreements signed pursuant to the Area Development Agreement.
(n) Our right of first refusal to acquire your business	Not Applicable	
(o) Our option to purchase your business	Not Applicable	
(p) Your death or disability	Section 7.6	Interest must be transferred to an approved party within 12 months
(q) Non-competition covenants during the term of the franchise	Section 8.2	Includes prohibition on engaging in any other business which predominantly sells frozen dessert products, and soliciting or diverting customers to other businesses; and others.
(r) Non-competition covenants after the franchise is terminated or expires	Section 8.3	Includes a two year prohibition similar to “q” (above), within the Development Area, or within 25 miles of any Store then-operating under the System
(s) Modification of the agreement	Section 15	Must be in writing signed by both parties.
(t) Integration/merger clause	Section 15	Only the terms of the Area Development Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Area Development Agreement may not be enforceable.

Provision	Section in Area Development Agreement	Summary
(u) Dispute resolution by arbitration or mediation	Section 16.2	You must first submit all dispute and controversies arising under the Franchise Agreement to our management and make every effort to resolve the dispute internally.
	Section 16.3	At our option, all claims or disputes arising out of the Franchise Agreement must be submitted to non-binding mediation, which will take place at our headquarters in New Jersey. You must notify us of any potential disputes and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated, the parties will split the mediator's fees and bear all of their other respective costs of the mediation.
(v) Choice of forum	Section 16.4	Subject to Sections 16.2 and 16.3, all claims, causes of action or disputes arising out of or relating to your Area Development Agreement must be brought before a court of general jurisdiction that is closest to our headquarters in New Jersey or, if appropriate, the United States District Court for the District of New Jersey. You agree that there will be no class actions. (subject to applicable state law).
(w) Choice of law	Section 16.1	New Jersey (subject to state law)

ITEM 18

PUBLIC FIGURES

We do not use any public figure to promote our franchises.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not furnish or authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a Store, except as stated below. Actual results vary from Store to Store and we cannot estimate the results of any particular franchisee.

As of December 31, 2021, there were a total of 29 Stores that are owned and operated by our franchisees (each, a “Franchised Store”) and one Store that is owned and operated by our affiliate (the “Affiliate Store”). This Financial Performance Representation details certain Gross Revenue (as defined in the Notes below) information for the (i) 27 Franchised Stores, and (ii) one (1) Affiliate store during the 2021 calendar year (the “Measurement Period”). The Franchised Stores and Affiliate Store all operate on a full-time basis from a traditional, in-line location. In this Item 19, we excluded (i) one (1) Franchised Store that opened during the Measurement Period, and (ii) one (1) Franchised Store that was closed during the Measurement Period due to an issue with their landlord regarding the possession of the premises.

In Chart A, the Affiliate Store and Franchised Stores are broken into two (2) subsets based on their Gross Revenue over the Measurement Period and we disclose the average and median for the Franchised Stores that had Gross Revenue that fell within: (i) the top 50% of all of the Franchised Stores (the “Top 50%”) and (ii) the bottom 50% of the Franchised Stores (the “Bottom 50%”) during the Measurement Period.

In Chart B, we provide the average and median Gross Revenue amongst the one (1) Affiliate Store during the Measurement Period.

In Chart C, we provide the average and median Gross Revenue achieved amongst the Top 50% and Bottom 50% of the 27 Franchised Stores during the Measurement Period.

All of the franchisee information contained in this Financial Performance Representation was provided to us by our franchisees and/or affiliates, as applicable, through periodic reports required under the Franchise Agreement or other agreement with use. We have not audited or independently verified the information included in this Item 19.

Please note that the Charts below do not include any cost of goods or other operating expenses that (a) the Franchised Stores or Affiliate Store incurred over the Measurement Period, or (b) you will incur in connection with opening a new franchised Store. We did not provide these figures because the owners of the Franchised Stores did not provide us with such cost information in a uniform format that we could detail in this Item as of the Issuance Date of this Disclosure Document.

A. AVERAGE AND MEDIAN GROSS REVENUE ACHIEVED AMONGST THE AFFILIATE STORE AND FRANCHISED STORES OVER THE MEASUREMENT PERIOD

Subset	Number in Subset	Average	Median	Number that Met or Exceeded Average
Top 50%	14	\$667,363	\$604,710	4 (or 28.6%)
Bottom 50%	14	\$356,879	\$360,718	8 (or 57.1%)

B. AVERAGE AND MEDIAN GROSS REVENUE ACHIEVED BY THE AFFILIATE STORE OVER THE MEASUREMENT PERIOD

Average	Median	Number that Met or Exceeded Average
\$577,763	\$577,763	1 (or 100%)

C. AVERAGE AND MEDIAN GROSS REVENUE ACHIEVED AMONGST FRANCHISED STORES OVER THE MEASUREMENT PERIOD

Subset	Number in Subset	Average	Median	Number that Met or Exceeded Average
Top 50%	13	\$674,256	\$607,620	4 (or 30.8%)
Bottom 50%	14	\$356,879	\$360,718	8 (or 57.1%)
All	27	\$509,690	\$486,076	14 (or 51.9%)

Notes:

1. The highest Gross Revenue generated amongst the Affiliate Store over the Measurement Period was \$577,763, while the lowest was \$577,763.
2. The highest Gross Revenue generated amongst the Franchised Stores over the Measurement Period was \$1,272,772, while the lowest was \$121,576.

General Notes

1. When reviewing this information in the Charts above, it is important to recognize and acknowledge the following information about the Affiliate Store and Franchised Stores and their respective operations over the Measurement Period:
 - a. Each Affiliate and Franchised Store is operated from a premises that is consistent with the size range for a typical 16 HANDLES Store (which is 1,200 to 2,000 square feet, as disclosed in Item 1 to this Disclosure Document);
 - b. Each Affiliate and Franchised Store (i) purchases inventory items and supplies from the same suppliers from which you will be required (or permitted, as the case may be) to purchase the same items, and (ii) did not benefit from any substantively reduced pricing from what other 16 HANDLES franchisees are required to pay over the Measurement Period (subject to any discounts that might have been provided by certain suppliers on account of the volume of product purchased);
 - c. The Affiliate Store and 9 of the Franchised Stores are operated from locations within New York City, New York, which may have (a) increased levels of walk-in customers, and (b) rent payments and related operating costs that are higher than a typical market;

- d. One of the Franchised Stores is located in Florida, where the weather may impact the level of sales throughout the year differently than other locations with harsher winter conditions; and
- e. The Affiliate Store pays a reduced royalty that is lower than what you will be required to pay under your Franchise Agreement, and may pay a lower marketing fee than what you will be required to pay under your Franchise Agreement (in terms of percentage of Store revenue).

2. The financial performance figures do not reflect any cost of sales, operating expenses, or other costs or expenses that must be deducted from net revenue or net 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 Store during periods of, or in geographic areas suffering from, seasonality, economic downturns, inflation, unemployment, or other negative economic influences.

3. You are likely to achieve results that are different, possibly significantly and adversely, from the results shown above. Many factors, including location of your Store, management capabilities, local market conditions, and other factors are unique to each 16 Handles Store and may significantly impact the financial performance of your business.

4. You must develop your own business plan for your Store, including capital budgets, financial statements, projections, and other elements appropriate to your particular circumstances. As part of your planning, you need to take into account the expenses you will incur, including labor and other operational expenses. Additional expenses that you may incur include royalty and marketing fees, interest on debt service, insurance, and legal and accounting fees. We encourage you to consult with your own accounting, business and legal advisors to assist you in identifying the expenses you likely will incur in connection with your Store, to prepare your budgets, and to assess the likely or potential financial performance of your Store. Franchisees and former franchisees listed in this Disclosure Document may be one source of information.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

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

Except as provided above, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Alex Choi 95 Christopher Columbus Dr., 16th Floor, Jersey City, NJ 07302, franchise@16handles.com and (551) 222-6043, 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, 2020, 2021

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	29	31	+2
	2020	31	29	-2
	2021	29	29	0
Company-Owned	2019	4	1	-3
	2020	1	1	0
	2021	1	1	0
Total Outlets	2019	33	32	-1
	2020	32	30	-2
	2021	30	30	0

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2019, 2020, 2021

State	Year	Number of Transfers
New York	2019	0
	2020	1
	2021	2
New Jersey	2019	0
	2020	0
	2021	1
Total	2019	0
	2020	1
	2021	3

Table No. 3
Status of Franchised Outlets
For years 2019, 2020, 2021

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
Connecticut	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Florida	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
New Jersey	2019	9	0	0	0	0	1	8
	2020	8	0	0	0	0	1	7
	2021	7	0	0	0	0	0	7
New York	2019	17	4	0	0	0	1	20
	2020	20	1	0	0	0	2	19
	2021	19	1	0	0	0	1	19
Total	2019	29	4	0	0	0	2	31
	2020	31	1	0	0	0	3	29
	2021	29	1	0	0	0	1	29

Table No. 4
Status of Company-Owned Outlets¹
For years 2019, 2020, 2021

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
New York	2019	4	0	0	0	3	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
Total	2019	4	0	0	0	3	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1

¹The “Company-Owned Outlet” detailed in Table No. 4 above is owned and operated by our affiliate, BJ’s Corner Inc.

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

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Massachusetts	0	1	0
New York	0	3	0
Total	0	4	0

A list of the names of all franchisees and area developers and the addresses and telephone numbers of their businesses are in Exhibit E to this Disclosure Document. The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee or area developer who had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement or Area Development Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document will be listed on Exhibit F to this Disclosure Document, if and when applicable.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. During our last three fiscal years, some franchisees have signed confidentiality provisions that would restrict their ability to speak openly about their experience with the 16 Handles System, and we continue to reserve the right to require franchisees to do so.

There are no trademark-specific organizations formed by our franchisees that are associated with the 16 Handles System.

ITEM 21 **FINANCIAL STATEMENTS**

Attached as Exhibit G is audited financial statements for our past three fiscal years ending December 31, 2019, December 31, 2020, and December 31, 2021. Our fiscal year end is December 31st.

ITEM 22 **CONTRACTS**

The following agreements are attached in to this Disclosure Document:

Exhibit B – Franchise Agreement, including the following agreements:

- ADA Certification (as Exhibit B)
- Authorization Agreement for Prearranged Payments (as Exhibit D)
- Guaranty (as Exhibit E)
- Confidentiality and Non-Compete Agreements (as Exhibits F-1 and F-2)

Exhibit C – Area Development Agreement, including the following agreements:

- Guaranty Indemnification and Acknowledgment (as Exhibit D)

Exhibit J – Form of General Release

ITEM 23
RECEIPTS

Two copies of an acknowledgment of your receipt for this Disclosure Document appear as the last pages of the Disclosure Document (Exhibit L). Please date, sign, and return one copy to Alex Choi, 95 Christopher Columbus Dr., 16th Floor, Jersey City, NJ 07302, and keep the other with this Disclosure Document for your records.

EXHIBIT A TO THE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

LIST OF STATE ADMINISTRATORS

California Department of Financial Protection and
Innovation
TOLL FREE 1-(866) 275-2677

LA Office

320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7500

Sacramento Office

1515 K Street, Suite 200
Sacramento, CA 95814-4052
(866) 275-2677

San Diego Office

1350 Front Street, Room 2034
San Diego, CA 92101-3697
(619) 525-4233

San Francisco Office

One Sansome St., #600
San Francisco, CA 94104
(415) 972-8559

Florida Department of Agricultural
and Consumer Services
Division of Consumer Services
Mayo Building, Second Floor
Tallahassee, Florida 32399-0800
(904) 922-2770

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

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

Indiana Secretary of State
Securities Division

302 West Washington Street, Room E-11
Indianapolis, IN 46204
(317) 232-6681

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

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

Michigan Department of the Attorney General
Consumer Protection Division
Attn: Franchise Section
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, MI 48933
(517) 373-7117

Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101-2198
(651) 296-6328

Nebraska Department of Banking and Finance
1200 North Street, Suite 311
P.O. Box 95006
Lincoln, NE 68509-5006
(402) 471-3445

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

North Dakota Securities Department
State Capital, 5th Floor
600 East Boulevard Avenue
Bismarck, ND 58505-0510

(701) 328-2910

Oregon Department of Consumer
and Business Services
Division of Finance and Corporate
Securities labor and Industries
350 Winter Street, NE, Room 410
Salem, OR 97310-3881
(503) 378-4140

Director, Department of Business Regulations
Rhode Island Division of Securities
233 Richmond Street, Suite 232
Providence, RI 02903-4232

South Dakota Department of Labor and Regulation
445 East Capitol Avenue
Pierre, SD 57501-2017
(605) 773-5953

Statutory Document Section
Texas Secretary of State
P.O. Box 12887
Austin, TX 78711
(512) 475-1769

State of Utah
Division of Consumer Protection
P.O. Box 45804
Salt Lake City, Utah 84145-0804
(801) 530-6601

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9051

State of Washington
Director, Department of Financial Institutions
Securities Division
150 Israel Road, SW
Olympia, WA 98501
(360) 902-8760

Wisconsin Commissioner of Securities
345 W Washington Ave., 4th Floor
Madison, WI 53703
(608) 266-8550

AGENTS FOR SERVICE OF PROCESS

Yo Fresh Inc.
95 Christopher Columbus Dr.
16th Floor
Jersey City, NJ 07302
(551) 222-6043

California Commissioner of the Department of
Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

Commissioner of the Department of Financial
Protection and Innovation
One Sansome St., #600
San Francisco, California 94104

Commissioner of the Department of Financial
Protection and Innovation
1515 K Street., Suite 200
Sacramento, CA 95814

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

Illinois Attorney General
500 South Second Street
Springfield, IL 62706

Indiana Secretary of State
Securities Division
302 West Washington Street, Room E-111
Indianapolis, IN 46204

Maryland Securities Commissioner
Office of Attorney General
Securities Division
200 St. Paul Place
Baltimore, MD 21202-2020

Michigan Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
P.O. Box 30054, 6546 Mercantile Way
Lansing, MI 48909

Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101-2198

New York Department of State
Attention: UCC
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, NY 12231
(518) 473-2492

North Dakota Securities Commissioner
State Capitol – 5th Floor
600 E. Boulevard Avenue
Bismarck, ND 58505

Director, Department of Business Regulation
Division of Securities
Suite 232
233 Richmond Street
Providence, RI 02903-4232

Department of Labor and Regulation
Division of Securities
445 East Capitol Avenue
Pierre, SD 57501-3185

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

Director, Department of Financial Institutions
Securities Division
150 Israel Road, Southwest
Olympia, WA 98501

Wisconsin Commissioner of Securities
345 West Washington Avenue, 4th Floor
Madison, WI 53703
(608) 261-9555

EXHIBIT B TO THE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

YO FRESH INC.

FRANCHISE AGREEMENT

NAME OF FRANCHISEE

DATE OF AGREEMENT

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EXHIBITS:

A	– Data Sheet
B	– ADA Certification
C	– List of Franchisee's Principals
D	– Authorization Agreement for Prearranged Payments
E	– Guaranty
F	– Confidentiality and Non-Compete Agreements
G-1	– Lease Terms
G-2	- Collateral Assignment of Lease
H	– Transfer of Franchise to a Corporation or Limited Liability Company
I	– Power of Attorney (Telephone)
J	– Power of Attorney (Taxes)
K	– Franchisee Disclosure Acknowledgment Statement

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the “**Agreement**”) is made and entered into on this _____ day of _____, 20____ (the “**Effective Date**”), by and between:

- ◆ Yo Fresh Inc., a corporation whose principal place of business is 95 Christopher Columbus Drive, 16th Floor, Jersey City, NJ 07302 (“**Franchisor**”); and
- ◆ _____, a [resident of] [corporation organized in] [limited liability company organized in] [select one], having offices at _____

_____ (“**Franchisee**”).

BACKGROUND:

A. Franchisor and its affiliate own a format and system (the “**System**”) relating to the establishment and operation of retail stores which operate at locations that display Franchisor’s interior and exterior trade dress and feature and operate under the Proprietary Marks (as defined below) (each a “**16 Handles Store**” or “**Franchised Store**”). 16 Handles Stores are designed using Franchisor’s interior trade dress to be welcoming and comfortable for customers, and offer frozen yogurt and toppings in a self-serve environment, under the name and mark “16 Handles”. A 16 Handles Store operates using Franchisor’s proprietary recipes, formulae and techniques, as well as other non-proprietary food, beverage, and other compatible items designated by Franchisor from time to time (collectively, “**Products**”).

B. The distinguishing characteristics of the System include distinctive exterior and interior design, décor, color schemes, fixtures, and furnishings; recipes, standards and specifications for products, equipment, materials, and supplies; uniform standards, specifications, and procedures for operations; purchasing and sourcing procedures; procedures for inventory and management control; training and assistance; and marketing and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

C. The System is identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System including the mark “16 Handles” and other marks (the “**Proprietary Marks**”). The Proprietary Marks are owned by Franchisor, Yogurt Your Way LLC and Yogurt City Inc. The Proprietary Marks not owned by Franchisor have been licensed to Franchisor so that Franchisor may sub-license them to its franchisees.

D. Franchisee desires to enter into the business of operating a 16 Handles Store under the System and using the Proprietary Marks, and wishes to enter into this Agreement with Franchisor for that purpose, and to receive the training and other assistance provided by Franchisor in connection therewith.

E. Franchisee understands and acknowledges the importance of the high standards of Franchisor for quality, cleanliness, appearance, and service and the necessity of operating the business franchised hereunder in conformity with the standards and specifications of Franchisor.

NOW, THEREFORE, the parties agree as follows:

1. GRANT

1.1 Grant and Acceptance

Franchisor grants to Franchisee the right, and Franchisee hereby undertakes the obligation, upon the terms and conditions set forth in this Agreement to: (a) establish and operate a 16 Handles Store (the “**Franchised Store**”), (b) use, only in connection therewith, the Proprietary Marks and the System, as they may be changed, improved, or further developed from time to time by Franchisor; and (c) operate the Franchised Store only at the Approved Location (as defined in Section 1.2 below) in accordance with this Agreement.

1.2 Approved Location

Franchisee shall develop and operate the Franchised Store only at the site specified in Exhibit A to this Agreement as the “**Approved Location**”. Franchisee shall not relocate the Franchised Store without Franchisor’s prior written consent and/or otherwise in writing by Franchisor, as provided in Section 8.18 below.

1.3 Limit on Sales

Franchisee’s rights hereunder shall be limited to offering and selling Products at the Franchised Store, and only to retail customers of the Franchised Store for (a) customer consumption on the premises of the Franchised Store at the Approved Location (the “**Premises**”); and (b) for customer carry-out consumption of Products sold at the Franchised Store, provided that all such activities shall be conducted only in accordance with the requirements of this Agreement and the procedures set forth in the Manual (as defined in Section 10 below) and all applicable laws. Franchisee shall not, without the prior written approval of Franchisor, engage in any other type of sale of, or offer to sell, or distribution of Products, including, but not limited to: selling, distributing or otherwise providing, any Products to third parties at wholesale, or for resale or distribution by any third party; and selling, distributing or otherwise providing any Products through catalogs, mail order, toll free numbers for delivery, or electronic means (e.g., the Internet).

1.4 Designated Territory and Reserved Rights

Except as otherwise provided in this Agreement, during the term of this Agreement, Franchisor shall not establish or operate, nor license any other person to establish or operate, a 16 Handles Store at any location within the designated territory specified in Exhibit A (the “**Designated Territory**”). Franchisor retains the rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Franchisee any rights therein:

1.4.1 To own, acquire, establish, and/or operate and license others to establish and operate, 16 Handles Stores under the System at any location outside the Designated Territory notwithstanding their proximity to the Designated Territory or the Approved Location or their actual or threatened impact on sales of the Franchised Store;

1.4.2 To own, acquire, establish and/or operate and license others to establish and operate, non-retail businesses under the Proprietary Marks, at any location within or outside the Designated Territory;

1.4.3 To own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar or different from the Franchised Store, at any location within or outside the Designated Territory

notwithstanding their proximity to the Designated Territory or the Approved Location or their actual or threatened impact on sales of the Franchised Store;

1.4.4 To own, acquire, establish, and/or operate and license others to establish and operate, 16 Handles Stores under the Proprietary Marks at Non-Traditional Sites (as defined below) at any location within or outside the Designated Territory. As used in this Agreement, “**Non-Traditional Sites**” shall mean outlets that serve primarily the customers located within the facility, such as captive audience facilities (examples include, but are not limited to, parks charging admission, stadiums, amusement parks and centers, theaters and art centers), limited purpose facilities (examples include, but are not limited to, airports, transportation centers, department stores, indoor shopping centers, business and industrial complexes, museums, educational facilities, hospitals, art centers, and recreational parks), limited access facilities (examples include, but are not limited to, military complexes, buyer club businesses, educational facilities, business and industrial complexes), mobile vending trucks/carts, and other types of Non-Traditional Sites;

1.4.5 To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products (including the Products) through, grocery stores, club stores or convenience stores or through outlets that are primarily retail in nature, or through mail order, toll free numbers, or the Internet, including those products bearing Franchisor’s Proprietary Marks provided that distribution within the Designated Territory shall not be from a 16 Handles Store established under the System that is operated from within the Designated Territory (except from a 16 Handles Store at a Non-Traditional Site); and/or

1.4.6 To engage in any other activity that uses Franchisor’s licenses or any other use of the Proprietary Marks or System not expressly prohibited in this Agreement.

2. TERM AND RENEWAL

2.1 Initial Term

This Agreement shall be in effect upon its acceptance and execution by Franchisor and, except as otherwise provided herein, this Agreement shall expire ten (10) years from the Effective Date.

2.2 Renewal

Franchisee may apply to operate the Franchised Store for two (2) additional consecutive terms of five (5) years each if the following conditions are met prior to each renewal:

2.2.1 Franchisee shall give Franchisor written notice of Franchisee’s election to renew at least six (6) months, but not more than twelve (12) months, prior to the end of the term of this Agreement;

2.2.2 Franchisee shall not have any past due monetary obligations or other outstanding obligations to Franchisor and its affiliates, the approved suppliers of the System, or the lessor of the Premises;

2.2.3 Franchisee shall not be in default of any provision of this Agreement, or successor hereto, or any other agreement between Franchisee and Franchisor or its affiliates, the approved suppliers of the System, or the lessor of the Premises; and Franchisee shall have substantially complied with all the terms and conditions of such agreements during the terms thereof;

2.2.4 Franchisee and Franchisor shall execute a mutual general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its affiliates, and their respective officers, directors, agents, and employees;

2.2.5 Franchisee shall execute the then-current form of franchise agreement offered by Franchisor, which shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement including requirements to pay additional and/or higher fees, except that Franchisee shall not be required to pay any initial franchise fee;

2.2.6 Franchisee shall comply with the then-current qualification and training requirements of Franchisor;

2.2.7 Franchisee shall make or provide for, in a manner satisfactory to Franchisor, such renovation and modernization of the Premises as Franchisor may reasonably require, including installation of new equipment and renovation of signs, furnishings, fixtures, and decor to reflect the then-current standards and image of the System;

2.2.8 Franchisee shall present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the Premises (or such other location acceptable to Franchisor) for the duration of the renewal term;

2.2.9 Franchisee, at the time of renewal, satisfies Franchisor's standards of financial responsibility and, if requested by Franchisor, Franchisee demonstrates to Franchisor that Franchisee has sufficient financial resources and means to continue to operate the Franchised Store during the renewal term; and

2.2.10 Franchisee pays to Franchisor a renewal fee equal to ten thousand dollars (\$10,000) (the "Renewal Fee").

3. DUTIES OF FRANCHISOR

3.1 Franchisor's Prototype Plans

Franchisor shall make available prototype design plans and specifications for the construction of a 16 Handles Store and for the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. Franchisee acknowledges that such standard design plans and specifications shall not contain the requirements of any federal, state or local law, code or regulation (including without limitation those concerning the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific 16 Handles Store, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. Franchisee understands and acknowledges that Franchisor has the right to modify the prototype design plans and specifications, and develop additional prototype design plans and specifications, as Franchisor deems appropriate from time to time (however Franchisor will not modify the prototype plans and specifications for the Franchised Store developed pursuant to this Agreement once those prototype architectural plans and specifications have been given to Franchisee). Franchisee shall adapt the standard plans to the Franchised Store's location, as provided in Section 5.3 hereof, subject to Franchisor's approval.

3.2 Initial Training

Franchisor shall provide its initial training for operators and managers (“**Initial Training**”), as described in Section 6 of this Agreement, for Franchisee and two (2) managers (unless this Agreement is for the third or subsequent 16 Handles Store being developed pursuant to an Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee), in which event the terms set forth in Section 6.1.3 below shall apply with respect to the pre-opening training of Franchisee and the Designated Principal). Franchisor shall also provide such ongoing training as it may, from time to time, deem appropriate.

3.3 Opening Training

Franchisor will furnish to Franchisee, at Franchisee’s premises and at Franchisor’s expense, one (1) of Franchisor’s representatives for the purpose of facilitating the opening of the Franchised Store for a period to be determined by Franchisor, for a period of up to four (4) days. If Franchisee is opening its second (or later) Franchised Store, the provision of opening assistance shall be at Franchisor’s sole discretion.

During this training, such representative will also assist Franchisee in establishing and standardizing procedures and techniques essential to the operation of a 16 Handles Store and shall assist in training personnel; however, Franchisee acknowledges that Franchisor shall not be responsible for training or offering guidance with respect to compliance with any laws, ordinances or other legal matters. Prior to the arrival of Franchisor’s representative(s), Franchisee shall have completed all training of Franchisee’s initial staff of employees for the Franchised Store, as shall be necessary for Franchisee to comply with its staffing obligations under Section 8.4 below. Should Franchisee request additional assistance (beyond four (4) days) from Franchisor in order to facilitate the opening of the Franchised Store, and should Franchisor deem it necessary and appropriate to comply with the request, Franchisee shall pay Franchisor’s then-current per diem charges and Franchisor’s out of pocket expenses in providing such additional assistance as set forth from time to time in the Manual.

3.4 Loan of Manual

Franchisor shall provide Franchisee, on loan, one (1) copy of the Franchisor’s confidential operations manuals and other manuals, instructional materials, and written policies and correspondence (collectively, the “**Manual**”), as more fully described in Section 10 hereof. Franchisor reserves the right to provide the Manual via CD-ROM, a password-protected website, or otherwise electronically.

3.5 Marketing Programs and Materials

Franchisor shall review and shall have the right to approve or disapprove all marketing and promotional materials that Franchisee proposes to use, pursuant to Section 13 below. Franchisor shall administer the System or Cooperative Ad Funds, if such funds exist or are created, in the manner set forth in Section 13 below.

3.6 Grand Opening Marketing

Franchisor may assist Franchisee in developing and conducting the Grand Opening Marketing Program (as described in Section 13.5 below), which program shall be conducted at Franchisee’s expense.

3.7 Guidance

Franchisor may provide periodic advice or offer guidance to Franchisee in the marketing, management, and operation of the Franchised Store as Franchisor determines at the time(s) and in the manner determined by Franchisor.

3.8 Inspections

Franchisor shall conduct, as it deems advisable, inspections of the operation of the Franchised Store by Franchisee.

3.9 List of Suppliers

Franchisor shall, in the Manual (or otherwise in writing as determined by Franchisor), provide Franchisee with a list of suppliers designated and/or approved by Franchisor to supply Products, equipment, signage, materials and services to franchisees in the System.

3.10 Delegation

Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Agreement may be performed by any distributor, designee, employee, or agent of Franchisor, as Franchisor may direct.

3.11 Fulfillment of Obligations

In fulfilling its obligations pursuant to this Agreement, and in conducting any activities or exercising any rights pursuant to this Agreement, Franchisor (and its affiliates) shall have the right: (i) to take into account, as it sees fit, the effect on, and the interests of, other franchised businesses and systems and in which Franchisor has an interest and on Franchisor's (and its affiliates') own activities; (ii) to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which Franchisor (or its affiliates) has an interest, or with Franchisor's affiliates; (iii) to introduce proprietary and non-proprietary items or operational equipment used by the System into other franchised systems in which Franchisor has an interest; and/or (iv) to allocate resources and new developments between and among systems, and/or Franchisor's affiliates, as Franchisor sees fit. Franchisee understands and agrees that all of Franchisor's obligations under this Agreement are subject to this Section 3.11, and that nothing in this Section 3.11 shall in any way affect Franchisee's obligations under this Agreement.

3.12 Pricing

With respect to the offer and sale of all menu and beverage items, Franchisor may from time to time offer guidance with respect to the selling price for such goods, products and services; or Franchisor may determine the minimum and maximum selling prices for such menu and beverage items, and Franchisee shall be bound to adhere to any such recommended or required pricing. If Franchisee sells any or all its products or merchandise at any price recommended or required by Franchisor, Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering such products or merchandise at the recommended or required price will enhance Franchisee's sales or profits.

4. FEES

4.1 Franchise Fee

Franchisee must pay Franchisor and initial franchise fee in the amount specified in Exhibit A to this Agreement (the "**Franchise Fee**"), which must be paid in a lump sum and is deemed fully earned upon payment.

4.2 Refundability

Payment of the Franchise Fee shall be non-refundable.

4.3 Royalty Fees

For each Week during the term of this Agreement, Franchisee shall: (a) pay Franchisor a continuing royalty fee in an amount equal to six percent (6%) of the Gross Sales of the Franchised Store (“**Royalty Fees**”); and (b) report to Franchisor, in the manner specified by Franchisor, its Gross Sales for the preceding Week (a “**Sales Report**”). As used in this Agreement, the following terms shall apply:

4.3.1 The term “**Week**” means the period starting with the commencement of business on Monday and concluding at the close of business on the following Sunday (or, if the Franchised Store is not open on a Sunday, the immediately preceding business day); however, Franchisor shall have the right to designate in writing any other period of not less than seven days to constitute a “Week” under this Agreement.

4.3.2 The term “**Gross Sales**” means all revenue from the sale of all Products and all other income of every kind and nature related to, derived from, or originating from the Franchised Store, whether at retail or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit; provided, however, that “Gross Sales” excludes any customer refunds, coupon sales, sales taxes, and/or other taxes collected from customers by Franchisee and actually transmitted to the appropriate taxing authorities.

4.3.3 In the event the state in which the Franchised Store is located assesses a tax upon the Royalty Fees paid to Franchisor by Franchisee, Franchisor shall have the right to collect such taxes from Franchisee also.

4.4 Marketing Contributions

Franchisee shall make weekly contributions for marketing and promotion as Franchisor may direct pursuant to Section 13.1 based on the Gross Sales of the Franchised Store.

4.5 When Payments Due

All payments required by Sections 4.3 and 4.4 above based on the Gross Sales for the preceding Week, and the Sales Report required by Section 4.3 for the Gross Sales for the preceding Week, shall be paid and submitted so as to be received by Franchisor by Wednesday of each Week. Franchisee shall deliver to Franchisor any and all reports, statements and/or other information required under Section 12.2 below at the time and in the format reasonably requested by Franchisor. Franchisee shall establish an arrangement for electronic funds transfer or deposit of any payments required under this Section. Franchisee shall execute Franchisor’s current form of “Authorization Agreement for Prearranged Payments (Direct Debits),” a copy of which is attached to this Agreement as Exhibit D, and Franchisee shall comply with the payment and reporting procedures specified by Franchisor in the Manual. Franchisee expressly acknowledges and agrees that Franchisee’s obligations for the full and timely payment of Royalty Fees and Marketing Contributions (and all other amounts provided for in this Agreement) shall be absolute, unconditional, fully earned, and due upon Franchisee’s generation and receipt of Gross Sales. Franchisee shall not for any reason delay or withhold the payment of all or any part of those or any other payments due hereunder, put the same in escrow or set-off same against any claims or alleged claims Franchisee may allege against Franchisor, the Fund, the Cooperative Fund or others. Franchisee shall not, on grounds of any alleged non-performance by Franchisor or others, withhold payment of any fee, including without limitation Royalty Fees or Marketing Contributions, nor withhold or delay submission of any reports due hereunder including but not limited to Sales Reports.

In the event Franchisee does not report the Franchised Store’s Gross Sales to Franchisor, Franchisor may debit Franchisee’s account for one hundred twenty percent (120%) of the last Royalty Fee and

Marketing Contribution that Franchisor debited. If the Royalty Fee and Marketing Contribution Franchisor debits are less than the amounts Franchisee actually owes Franchisor, Franchisor will debit Franchisee's account for the balance on a day specified by Franchisor. If the Royalty Fee and Marketing Contribution Franchisor debits are greater than the amounts Franchisee actually owes Franchisor, Franchisor will credit the excess against the amount it otherwise would debit from Franchisee's account during the following week.

4.6 Accountants and Fees

If required by Franchisor, Franchisee shall use a certified public accountant service approved by Franchisor for bookkeeping and financial records management. Franchisee shall pay such service provider a fee for these services for each month in such reasonable amount as the service provider may periodically designate.

4.7 Additional Payments

Franchisee shall pay to Franchisor, within fifteen (15) days of any written request by Franchisor which is accompanied by reasonable substantiating material, any monies which Franchisor has paid, or has become obligated to pay, on behalf of Franchisee, by consent or otherwise under this Agreement.

4.8 Interest on Overdue Payments

Any payment, contribution, or other amount due hereunder not actually received by Franchisor on or before its due date shall be overdue. If any contribution or payment is overdue, Franchisee shall pay Franchisor immediately upon demand, in addition to the overdue amount interest on the overdue amount from the date it was due until paid in full at the rate of one and one-half percent (1.5%) per month or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies Franchisor may have.

4.9 Loyalty/Frequent Buyer Program

Franchisee shall participate in promotional programs developed by Franchisor or a third party for the System, in the manner directed by Franchisor in the Manual or otherwise in writing. Franchisee shall pay our then-current fee per POS terminal, plus all transaction fees incurred in connection with the programs to the approved supplier/vendor for such program services.

4.10 No Subordination

Franchisee shall not subordinate to any other obligation its obligation to pay Franchisor the royalties and/or any other fee or charge payable to Franchisor, whether under this Agreement or otherwise.

4.11 Technology Fee.

Although Franchisor does not currently collect this fee, Franchisor reserves the right to charge a technology fee in connection with technology products or services Franchisor determines to (a) associate and utilize in connection with the System, and (b) use the technology fee to cover all or certain portions of the corresponding costs (the "Technology Fee").

5. SITE SELECTION, CONSTRUCTION AND OPENING OF BUSINESS

5.1 Identifying and Securing Sites

Franchisee shall, within one hundred eighty (180) days from the date this Agreement is executed, be given a defined search territory and be solely responsible for identifying, submitting for Franchisor's

approval, and securing a site for its Franchised Store. The following terms and conditions shall apply to Franchisee's Franchised Store:

5.1.1 Franchisee shall submit to Franchisor, in a form specified by Franchisor, a completed site approval package, which shall include a site approval form prescribed by Franchisor, an option contract, letter of intent, or other evidence satisfactory to Franchisor which describes Franchisee's favorable prospects for obtaining such site, photographs of the site, demographic statistics, and such other information or materials as Franchisor may reasonably require (collectively, the "**Site Approval Package**"). Franchisor shall have thirty (30) days after receipt of the Site Approval Package from Franchisee to approve or disapprove, in its sole discretion, the proposed site for the Franchised Store. In the event Franchisor does not approve a proposed site by written notice to Franchisee within said thirty (30) days, such site shall be deemed disapproved by Franchisor. No site shall be deemed approved unless it has been expressly approved in writing by Franchisor.

5.1.2 Following Franchisor's approval of a proposed site, Franchisee shall use its best efforts to secure such site, either through a lease/sublease that is acceptable to Franchisor, as provided in Section 5.2 below, or a binding purchase agreement, and shall do so within one hundred eighty (180) days of approval of the site by Franchisor. Franchisee shall immediately notify Franchisor of the execution of the approved lease or binding purchase agreement. The site approved and secured pursuant to this Agreement shall be specified as the Approved Location.

5.1.3 Franchisee hereby acknowledges and agrees that approval by Franchisor of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Store or for any other purpose. Approval by Franchisor of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by Franchisor of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Franchisee's expectations as to revenue or operational criteria.

5.2 Lease Terms

If Franchisee will occupy the premises from which the Franchised Store will be operated under a lease or sublease, Franchisee shall, prior to execution of such lease, submit the lease to Franchisor for its review and approval; provided, however, if pre-submission to Franchisor is not possible, then Franchisee may sign the lease only on the condition, agreed to in writing by the lessor, that the lease shall become null and void if Franchisor does not approve such lease. Franchisor's approval of the lease or sublease may be conditioned upon the inclusion of such provisions as Franchisor may reasonably require, including, without limitation, the terms and conditions set forth by Franchisor in the Manual or otherwise in writing from time to time, a current list of which is included in Exhibit G to this Agreement.

5.3 Preparing a Location

Before commencing any construction of the Franchised Store, Franchisee, at its expense, shall comply, to Franchisor's satisfaction, with all of the following requirements:

5.3.1 Franchisee shall employ a qualified, licensed architect or engineer who has been approved or designated (as described below) by Franchisor to prepare, subject to Franchisor's approval,

preliminary plans and specifications for site improvement and/or construction of the Franchised Store based upon prototype plans and/or specifications furnished by Franchisor, as described in Section 3.1 above. Franchisor shall have the right to designate one or more suppliers of design services and/or architecture services to supply such services to the System. If Franchisor designates a design firm and/or architecture firm prior to the time Franchisee commences to develop the Franchised Store, Franchisee shall employ such designated supplier(s) to prepare all or a portion of the designs and plans for the Franchised Store, unless Franchisee obtains Franchisor's prior written approval to use an alternative professional. If Franchisor has not designated a design firm or architecture firm, Franchisee shall be responsible for locating and employing a qualified design consultant and architect who is/are licensed in the jurisdiction in which the Franchised Store will be located, who is/are reputable and experienced in providing design and architecture services, and who have been approved by Franchisor. Franchisee shall be solely responsible for payments for all design and architecture services. Franchisee acknowledges and agrees that Franchisor shall not be liable for the unsatisfactory performance of any contractor retained by Franchisee.

5.3.2 Franchisee shall comply with all federal, state and local laws, codes and regulations, including the applicable provisions of the ADA regarding the construction, design and operation of the Franchised Store. In the event Franchisee receives any complaint, claim, other notice alleging a failure to comply with the ADA, Franchisee shall provide Franchisor with a copy of such notice within five (5) days after receipt thereof.

5.3.3 Franchisee shall be responsible for obtaining all zoning classifications and clearances that may be required by state or local laws, ordinances, or regulations or that may be necessary or advisable owing to any restrictive covenants relating to the Approved Location. After having obtained such approvals and clearances, Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Franchisor's review and approval of plans shall be limited to review of such plans to assess compliance with Franchisor's design standards for 16 Handles Stores, including such items as trade dress, presentation of Proprietary Marks, and the providing to the potential customer of certain products and services that are central to the functioning of 16 Handles Stores. Franchisor's review is not designed to assess compliance with federal, state or local laws and regulations, including the ADA, as compliance with such laws is the sole responsibility of Franchisee. Once approved by Franchisor, such final plans shall not thereafter be changed or modified without the prior written permission of Franchisor. Any such change made without Franchisor's prior written permission shall constitute a default and Franchisor may withhold its authorization to open the Franchised Store until the unauthorized change is rectified (or reversed) to Franchisor's reasonable satisfaction. Prior to opening the Franchised Store and prior to renovating the Franchised Store after its initial opening, Franchisee shall execute an ADA Certification in the form attached to this Agreement as Exhibit B that certifies in writing to Franchisor that the Franchised Store and any proposed renovations comply with the ADA.

5.3.4 Franchisee shall obtain all permits and certifications required for the lawful construction and operation of the Franchised Store and shall certify in writing to Franchisor that all such permits and certifications have been obtained.

5.3.5 Franchisee shall employ a qualified licensed general contractor who is approved by Franchisor to construct the Franchised Store and to complete all improvements. Franchisee shall obtain and maintain in force during the entire period of construction the insurance required under Section 14 below.

5.3.6 Throughout the construction process, Franchisee shall comply with Franchisor's requirements and procedures for periodic inspections of the Premises, and shall fully cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request.

5.3.7 Within seven days of the completion of Franchisee's completion of the buildout of the Premises, Franchisee shall obtain and furnish to Franchisor: (i) all governmental approvals from all authorities having jurisdiction thereof (including, but not limited to, a certificate of occupancy or permanent certificate of occupancy) which certify that Franchisee's buildout at the Premises has been performed and completed in accordance with Franchisor's plans and with all applicable legal requirements; and (ii) a full set of true, complete, and correct as-built plans for the Premises.

5.3.8 Upon Franchisor's request following the completion of Franchisee's buildout of the Premises, Franchisee shall deliver to Franchisor final unconditional lien waivers from all contractors and suppliers within seven days of notification of such request.

5.4 Opening Date

Unless delayed by the occurrence of events constituting "force majeure" as defined in Section 5.5 below, Franchisee shall construct, furnish, and open the Franchised Store in accordance with this Agreement and shall open the Franchised Store not later than twelve (12) months after Franchisee has executed this Agreement. Time is of the essence. Franchisee shall provide Franchisor with written notice of its specific intended opening date and Franchisee's request for Franchisor's approval to open on such date by no later than thirty (30) days prior to such intended opening date. Additionally, Franchisee shall comply with all other of Franchisor's pre-opening requirements, conditions and procedures (including, without limitation, those regarding pre-opening scheduling and communications) as set forth in this Agreement, the Manual, and/or elsewhere in writing by Franchisor, and shall obtain Franchisor's written approval prior to opening the Franchised Store.

5.5 Force Majeure

As used in this Agreement, "**force majeure**" means an act of God, war, civil disturbance, act of terrorism, government action, fire, flood, accident, hurricane, earthquake, or other calamity, strike or other labor dispute, or any other cause beyond the reasonable control of Franchisee; provided, however, force majeure shall not include Franchisee's lack of adequate financing.

6. TRAINING

6.1 Initial Training and Attendees

Before opening the Franchised Store, Franchisee shall have satisfied all initial training obligations required by Franchisor, which are as follows:

6.1.1 Franchisee (or, if Franchisee is other than an individual, the Designated Principal (defined in Section 8.3 below)) and two (2) managers (a maximum of three (3) persons total), shall attend and complete, to Franchisor's satisfaction, the initial training program offered by Franchisor at a location designated by Franchisor (unless this Agreement is for the third or subsequent 16 Handles Store, in which event the requirements set forth in Section 6.1.3 below shall apply with respect to the pre-opening training of Franchisee, the Designated Principal and any manager). The duration of the initial training will be up to thirteen (13) days at Franchisor's training facility or at such other location as Franchisor designates. If any required attendee does not satisfactorily complete such training, Franchisor may require that a replacement person attend and successfully complete, to Franchisor's satisfaction, the initial training program. Franchisor shall provide the initial training program tuition-free to the Designated Principal and up to two (2) additional trainees, provided all three (3) trainees attend the initial training program at the same time. If Franchisee wishes to send additional trainees to Franchisor's initial training program, either before the Franchised Store opens or during the term of this Agreement, Franchisee shall pay Franchisor's then-current

training fee. In addition, Franchisee shall bear all out-of-pocket expenses incurred by its trainees including, but not limited to, travel, lodging, meals and wages.

6.1.2 If Franchisee is other than an individual, Franchisor may require (in addition to the training of the Designated Principal) that any or all owners of beneficial interests in Franchisee (each a “**Principal**”), who are individuals and own at least a ten percent (10%) beneficial interest in Franchisee, attend and complete, to Franchisor’s satisfaction, such portions of the initial training program as determined by Franchisor appropriate for Principals not involved in the day-to-day operations of the Franchised Store.

6.1.3 If this Agreement is for the third or subsequent 16 Handles Store, whether pursuant to an Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee) or not, then Franchisee shall be responsible for conducting the initial training of its Designated Principal and any other managerial personnel in accordance with the requirements and conditions as Franchisor may from time to time establish for such training. Franchisor’s requirements for initial training by Franchisee shall be set forth in the Manual or other written materials and shall include, but are not limited to, the requirement that all such training activities be conducted: (a) by the Principals or personnel of Franchisee (or an affiliate of Franchisee), who have completed Franchisor’s initial training program to the satisfaction of the Franchisor, and who remain acceptable to Franchisor to provide initial training; and (b) following the procedures and conditions established by Franchisor. If Franchisor determines that the training provided by Franchisee does not satisfy Franchisor’s standards and requirements, or that any newly trained individual is not trained to Franchisor’s standards, then Franchisor may require that such newly trained individual(s) attend and complete an initial training program provided by Franchisor prior to the opening of the Franchised Store.

6.1.4 Franchisee must satisfy all pre-opening training requirements under this Section 6.1 by no later than thirty (30) days prior to the scheduled opening of the Franchised Store.

6.2 New or Replacement Designated Principal and Managers

In the event that Franchisee’s Designated Principal or a manager is no longer actively employed in the Franchised Store, Franchisee shall enroll a qualified replacement who is reasonably acceptable to Franchisor in Franchisor’s training program within forty five (45) days after the employment of the first person ends, provided that Franchisee may train replacement managers in accordance with Section 6.3 below. Franchisee shall bear all costs related to training the new or replacement manager, including Franchisor’s then-current training fee, and travel, lodging, meals and wages of the attendee. The replacement Designated Principal and any required managers shall complete the initial training program as soon as is practicable and in no event later than any time periods as Franchisor may specify from time to time in the Manual and otherwise in writing. Franchisor reserves the right to review any Franchisee trained personnel and require that such persons attend and complete, to the satisfaction of Franchisor and at Franchisee’s expense, the initial training program offered by Franchisor at a location designated by Franchisor.

6.3 Training by Franchisee of Additional or Replacement Managers

Franchisee shall have the option of training any manager (following the training of the first manager by Franchisor) at the Franchised Store or other 16 Handles Stores operated by Franchisee or its affiliates, provided that the training is conducted: (a) by the Designated Principal or other personnel who have completed Franchisor’s initial training program to the satisfaction of the Franchisor (and who remain acceptable to Franchisor to provide such training); (b) in accordance with any requirements or standards as Franchisor may from time to time establish in writing for such training; and (c) Franchisee is in compliance with all agreements between Franchisee and Franchisor. In the event Franchisee is not certified to provide training or Franchisee loses its training certification, then Franchisor will train the additional or replacement

manager. Franchisor reserves the right to require Franchisee to pay Franchisor's then-current charges for such training, which charges are in addition to any out-of-pocket expenses to be incurred in relation to such training, such as travel, lodging, food and wages.

6.4 Refresher Training Programs; Franchisee Meeting

Franchisor may periodically offer refresher courses, seminars, and other training programs. These programs may be offered on a voluntary basis or Franchisor may designate any of these programs as mandatory. If the programs are mandatory, Franchisor will bear the costs of presenting the program, but Franchisee must bear any costs incurred by its attendees, including travel, lodging, meals and wages. If the program is voluntary, Franchisor shall have the right to charge Franchisee a nominal fee for the program, which will be in addition to its attendees' expenses. For any mandatory programs, Franchisor reserves the right to use money from the Fund to present such programs.

Franchisor reserves the right to hold periodic meetings of System franchisees to discuss improvements to the System, to provide additional or refresher training, to introduce new products, and other issues. If Franchisor elects to hold a franchisee meeting, Franchisor will bear the cost of presenting the meeting, but Franchisee shall bear any costs incurred by its attendees, including travel, lodging, meals and wages. Franchisor is not required to hold a franchisee meeting until it believes that it is appropriate to do so and such meeting will benefit all 16 Handles Stores in the System.

6.5 Training Costs

All other expenses incurred in connection with training, including without limitation the costs of transportation, lodging, meals, wages, and worker's compensation insurance, shall be borne by Franchisee. Franchisee is also obligated to pay Franchisor its then-current training fee in connection with such training.

6.6 Location of Training

All training programs shall be at such times as may be designated by Franchisor. Training programs shall be provided at Franchisor's headquarters and/or such other locations as Franchisor may designate.

6.7 Additional On-Site Training

If Franchisee requests that Franchisor provide additional on-site training or that any other training programs offered or required by Franchisor be conducted for Franchisee at the Franchised Store, and Franchisor does so, then Franchisee agrees that it shall pay Franchisor's then-current per diem charges for each of Franchisor's representatives plus out-of-pocket expenses, including, but not limited to, travel, lodging, and wages, as set forth in the Manual or otherwise in writing.

7. TECHNOLOGY

7.1 Computer Systems and Required Software

The following terms and conditions shall apply with respect to the Computer System and Required Software:

7.1.1 Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by 16 Handles Stores, including without limitation: (a) back office and point of sale systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at 16 Handles Stores and between the Franchised Store and Franchisor; (b) Cash Register Systems; (c) physical, electronic, and other security systems; (d) printers and other peripheral devices; (e) archival back-up systems; and (f) internet access mode and speed (collectively, the "**Computer System**").

7.1.2 Franchisor shall have the right, but not the obligation, to develop or have developed for it, or to designate: (a) computer software programs and accounting system software that Franchisee must use in connection with the Computer System (“**Required Software**”), which Franchisee shall install; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee shall install; (c) the tangible media upon which such Franchisee shall record data; and (d) the database file structure of Franchisee’s Computer System.

7.1.3 Franchisee shall record all sales on computer-based point of sale systems approved by Franchisor or on such other types of cash registers as may be designated by Franchisor in the Manual or otherwise in writing (“**Cash Register Systems**”), which shall be deemed part of the Franchisee’s Computer System.

7.1.4 Franchisee shall make, from time to time, such upgrades and other changes to the Computer System and Required Software as Franchisor may request in writing (collectively, “**Computer Upgrades**”).

7.1.5 Franchisee shall comply with all specifications issued by Franchisor with respect to the Computer System and the Required Software, and with respect to Computer Upgrades. Franchisee shall also afford Franchisor unimpeded access to Franchisee’s Computer System and Required Software as Franchisor may request, in the manner, form, and at the times requested by Franchisor.

7.2 Data

Franchisor may, from time to time, specify in the Manual or otherwise in writing the information that Franchisee shall collect and maintain on the Computer System installed at the Franchised Store, and Franchisee shall provide to Franchisor such reports as Franchisor may reasonably request from the data so collected and maintained. All data pertaining to the Franchised Store, and all data created or collected by Franchisee in connection with the System, or in connection with Franchisee’s operation of the business (including without limitation data pertaining to or otherwise concerning the Franchised Store’s customers) or otherwise provided by Franchisee (including, without limitation, data uploaded to, or downloaded from Franchisee’s Computer System) is and will be owned exclusively by Franchisor, and Franchisor will have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee. Copies and/or originals of such data must be provided to Franchisor upon Franchisor’s request. Franchisor hereby licenses use of such data back to Franchisee for the term of this Agreement, at no additional cost, solely for Franchisee’s use in connection with the business franchised under this Agreement.

7.3 Privacy

Franchisee shall abide by all applicable laws pertaining to privacy of information collected or maintained regarding customers or other individuals (“**Privacy**”), and shall comply with Franchisor’s standards and policies pertaining to Privacy. If there is a conflict between Franchisor’s standards and policies pertaining to Privacy and applicable law, Franchisee shall: (a) comply with the requirements of applicable law; (b) immediately give Franchisor written notice of said conflict; and (c) promptly and fully cooperate with Franchisor and Franchisor’s counsel as Franchisor may request to assist Franchisor in its determination regarding the most effective way, if any, to meet Franchisor’s standards and policies pertaining to Privacy within the bounds of applicable law.

7.4 Telecommunications

Franchisee shall comply with Franchisor’s requirements (as set forth in the Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between

Franchisee's Computer System and Franchisor's Extranet (as defined below), if any, and/or such other computer systems as Franchisor may reasonably require.

7.5 Extranet

Franchisor may establish a website providing private and secure communications between Franchisor, Franchisee, franchisees, licensees and other persons and entities as determined by Franchisor, in its sole discretion (an "**Extranet**"). Franchisee shall comply with Franchisor's requirements (as set forth in the Manual or otherwise in writing) with respect to connecting to the Extranet, and utilizing the Extranet in connection with the operation of the Franchised Store. The Extranet may include, without limitation, the Manual, training and other assistance materials, and management reporting solutions (both upstream and downstream, as Franchisor may direct). Franchisee shall purchase and maintain any computer software and hardware that may be required to connect to and utilize the Extranet. Any information contained on an Extranet shall be considered confidential information.

7.6 Websites

As used in this Agreement, the term "**Website**" means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, Franchisee agrees to the following:

7.6.1 Franchisor shall have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Proprietary Marks, any or all of the Products, 16 Handles Stores, the franchising of 16 Handles Stores, and/or the System. Franchisor shall have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage; Franchisor shall also have the right to discontinue operation of the Website.

7.6.2 Franchisor shall have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee and/or the Franchised Store, with such web page(s) to be located within Franchisor's Website. Franchisee shall comply with Franchisor's policies with respect to the creation, maintenance and content of any such web pages; and Franchisor shall have the right to refuse to post and/or discontinue posting any content and/or the operation of any web page.

7.6.3 Franchisee shall not establish a separate Website related to the Proprietary Marks or the System without Franchisor's prior written approval (which Franchisor shall not be obligated to provide). If approved to establish a Website, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such Website. Franchisee specifically acknowledges and agrees that any Website owned or maintained by or for the benefit of Franchisee shall be deemed "marketing" under this Agreement, and will be subject to (among other things) Franchisor's approval under Section 13 below.

7.6.4 You are strictly prohibited from promoting your Store and/or using the Proprietary Marks in any manner on social and/or networking Websites, such as Facebook, LinkedIn, MySpace, Yelp, Instagram, Snapchat and Twitter, without our prior written consent. We will control all social media initiatives. You must comply with our System standards regarding the use of social media in your Franchised Store's operation, including prohibitions on your and the Franchised Store's employees posting or blogging comments about the Franchised Store or the System, other than on a website established or authorized by us ("social media" includes personal blogs, common social networks like Facebook and MySpace, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). We will provide access

to branded social media pages/handles/assets, and you must update these regularly. We reserve the right to conduct collective/national campaigns via local social media on your behalf.

7.6.5 Franchisor shall have the right to modify the provisions of this Section 7 relating to Websites as Franchisor shall solely determine is necessary or appropriate.

7.7 Online Use of Proprietary Marks

Franchisee shall not use the Proprietary Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any e-mail address, domain name, and/or other identification of Franchisee in any electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without Franchisor's prior written consent as to Franchisee's plan for transmitting such advertisements. Franchisee acknowledges and agrees that it is strictly prohibited from promoting its Store and/or using the Proprietary Marks in any manner on any social and/or networking Websites, including, but not limited to, Facebook, LinkedIn, MySpace, Instagram, Snapchat and/or Twitter, without Franchisor's prior written consent.

7.8 Changes to Technology

Franchisee and Franchisor acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and Franchisee agrees that it shall abide by those reasonable new standards established by Franchisor as if this Section 7 were periodically revised by Franchisor for that purpose.

8. OTHER DUTIES OF FRANCHISEE

8.1 Details of Operation

Franchisee understands and acknowledges that every detail of the System and this Agreement is important to Franchisee, Franchisor, and other franchisees in order to develop and maintain high operating, quality and service standards, to increase the demand for the Products sold by all operators, to protect 16 Handles Stores operating under the System, and to protect the reputation and goodwill of Franchisor.

8.2 Compliance with the Agreement, including the Manual

Franchisee shall operate the Franchised Store in strict conformity with this Agreement and such standards and specifications as Franchisor may from time to time prescribe in the Manual or otherwise in writing, and shall refrain from deviating from such standards, specifications, and procedures without the prior written consent of Franchisor.

8.3 Management of Business; Designated Principal

If Franchisee is other than an individual, prior to beginning training, Franchisee shall comply with the following:

8.3.1 Franchisee shall designate, subject to Franchisor's reasonable approval, one (1) Principal who is an individual person and who shall be responsible for general oversight and management of the operations of the Franchised Store on behalf of Franchisee (the "**Designated Principal**"). In the event the person designated as the Designated Principal dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to supervise the operations of the Franchised Store, Franchisee shall promptly designate a new Designated Principal, subject to Franchisor's reasonable approval. The Designated Principal must have at least a ten percent (10%) ownership interest in Franchisee.

8.3.2 Franchisee shall inform Franchisor in writing whether Franchisee or, if Franchisee is other than an individual, the Designated Principal, will assume full-time responsibility for the daily supervision and operation of the Franchised Store.

8.3.3 Franchisee acknowledges and agrees that Franchisor shall have the right to rely upon either the Franchisee or Designated Principal (or both of them) to have been given by Franchisee the responsibility and decision-making authority regarding the Franchised Store's operation and Franchisee's business.

8.4 Staffing

Franchisee agrees to maintain a competent, conscientious, staff (who are trained by Franchisee to Franchisor's standards and requirements) in numbers sufficient to promptly service customers and to take such steps as are necessary to ensure that its employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; comply with such uniforms and/or dress code as Franchisor may prescribe; and meet such minimum standards as Franchisor may establish from time to time in the Manual. In no way limiting the foregoing, Franchisee shall have on duty at all times a minimum of one (1) certified manager, which may be Franchisee, and/or hourly employees trained in management activities who have completed all training and certifications required by Franchisor. Franchisee shall be solely responsible for all employment decisions and functions of the Franchised Store, including those related to hiring, firing, wage and hour requirements, recordkeeping, supervision, and discipline of employees. Any personnel policies or procedures which are made available in the Manual are for Franchisee's optional use and are not mandatory. Franchisee shall determine to what extent, if any, such personnel policies and procedures may be applicable to its operations of the Franchised Store in Franchisee's jurisdiction. Franchisee and Franchisor recognize that Franchisor neither dictates nor controls labor and employment matters for Franchisee and its employees.

8.4.1 Franchisee agrees and acknowledges as follows:

8.4.1.1 Franchisee will have sole authority and control over the day-to-day operations of the Franchised Store and Franchisee's employees and/or independent contractors. Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Store, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will Franchisee or Franchisee's employees be deemed to be employees of Franchisor or Franchisor's affiliates.

8.4.1.2 Neither this Agreement nor Franchisor's course of conduct is intended, nor may anything in this Agreement (nor Franchisor's course of conduct) be construed to state or imply that Franchisor is the employer of Franchisee's employees and/or independent contractor, nor vice versa.

8.5 Use of Premises

Franchisee shall use the Premises solely for the operation of the Franchised Store; shall keep the Franchised Store open and in normal operation for such minimum hours and days under normal operating conditions, subject to local law and/or the terms of the lease for the Premises; and shall refrain from using or permitting the use of the Premises for any other purpose or activity at any time without first obtaining the written consent of Franchisor.

8.6 Conformity to Standards

To insure that the highest degree of quality and service is maintained, Franchisee shall operate the Franchised Store in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manual or otherwise in writing. Without limitation, Franchisee agrees as follows:

8.6.1 Franchisee shall purchase and install prior to the opening of the Franchised Store, and thereafter maintain, all fixtures, furnishings, equipment, décor and signs, and maintain in sufficient supply supplies and materials, as Franchisor may prescribe in the Manual or otherwise in writing. Franchisee shall refrain from deviating therefrom by the use of any unapproved item without the prior written consent of Franchisor.

8.6.2 Franchisee shall offer and sell only Products that Franchisor specifies from time to time, unless otherwise approved in writing by Franchisor; and Franchisee shall offer and sell all Products as Franchisor may specify from time to time as required offerings at the Franchised Store. Franchisee shall offer and sell the Products utilizing the ingredients and employing the preparation standards and techniques as specified by Franchisor. Franchisee is prohibited from offering or selling any products or services at or from the Franchised Store that have not previously been authorized by Franchisor, and shall discontinue selling and offering for sale any Products which Franchisor shall have the right to disapprove, in writing, at any time. If Franchisee wishes to offer or sell any products or services that have not previously been authorized by Franchisor, Franchisee must first make a written request to Franchisor, requesting authorization to offer or sell such products or services in accordance with Section 8.7 below. Franchisor may deny such approval for any reason.

8.6.3 Franchisee shall permit Franchisor or its agents, at any reasonable time, to remove samples of Products, without payment therefor, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether said samples meet Franchisor's then-current standards and specifications. In addition to any other remedies it may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the item has not previously been approved by Franchisor or if the sample fails to conform to Franchisor's specifications.

8.6.4 Franchisor may designate an independent evaluation service to conduct a "mystery shopper" quality control and evaluation program with respect to Franchisor or affiliate-owned and/or franchised 16 Handles Stores. Franchisee agrees that the Franchised Store will participate in such mystery shopper program, as prescribed and required by Franchisor, provided that Franchisor-owned, affiliate-owned, and franchised 16 Handles Stores also will participate in such program to the extent Franchisor has the right to require such participation. Franchisor shall have the right to require Franchisee to pay the then-current charges imposed by such evaluation service with respect to inspections of the Franchised Store, and Franchisee agrees that it shall promptly pay such charges (whether as direct payment to the approved mystery shopper service or as a reimbursement to Franchisor); provided, however, that such charges shall not exceed One Thousand Dollars (\$1,000) during each year of this Agreement.

8.6.5 Franchisee shall participate in all customer surveys and satisfaction audits, which may require that Franchisee provide discount or complimentary Products. Additionally, Franchisee shall participate in any complaint resolution and other programs as Franchisor may reasonably establish for the System, which programs may include, without limitation, providing discounts or refunds to customers.

8.7 Purchases and Approved Suppliers

Franchisee shall purchase all equipment, fixtures, furnishings, signs, décor, supplies, services, and products (including the Products) required for the establishment and operation of the Franchised Store from

suppliers designated or approved in writing by Franchisor (as used in this Section 8.7, the term “supplier” shall include manufacturers, distributors and other forms of suppliers). In determining whether it will approve any particular supplier, Franchisor shall consider various factors, including but not limited to whether the supplier can demonstrate, to Franchisor’s continuing reasonable satisfaction, the ability to meet Franchisor’s then-current standards and specifications for such items; who possess adequate quality controls and capacity to supply Franchisee’s needs promptly and reliably; whose approval would enable the System, in Franchisor’s sole opinion, to take advantage of marketplace efficiencies; and who have been approved in writing by Franchisor prior to any purchases by Franchisee from any such supplier, and have not thereafter been disapproved. Franchisor reserves the right to designate, at any time, a single supplier for any equipment, supplies, services, or products (including any Products) and to require Franchisee to purchase exclusively from such designated supplier, which exclusive designated supplier may be Franchisor or an affiliate of Franchisor.

8.7.1 Notwithstanding anything to the contrary in this Agreement, Franchisee shall purchase all of its requirements for Proprietary Products from Franchisor, its affiliates or its designee(s), as set forth in Section 8.8 below (through such distributor or distributors as Franchisor may designate). Franchisor shall have the right to introduce additional, substitute new, or discontinue Proprietary Products from time to time.

8.7.2 If Franchisee desires to purchase any Products (except for Proprietary Products) or other items, equipment, supplies, services from suppliers other than those previously designated or approved by Franchisor, Franchisee must first submit to Franchisor a written request for authorization to purchase such items. Franchisee shall not purchase from any supplier until, and unless, such supplier has been approved in writing by Franchisor. Franchisor may deny such approval for any reason, including its determination to limit the number of approved suppliers. Franchisee must submit to Franchisor such information and samples as Franchisor may reasonably require, and Franchisor shall have the right to require periodically that its representatives be permitted to inspect such items and/or supplier’s facilities, and that samples from the proposed supplier, or of the proposed items, be delivered for evaluation and testing either to Franchisor or to an independent testing facility designated by Franchisor. Permission for such inspections shall be a condition of the initial and continued approval of such supplier. A charge not to exceed the reasonable cost of the evaluation and testing shall be paid by Franchisee. Franchisor may also require that the supplier comply with such other requirements as Franchisor may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payment to Franchisor by the supplier on account of their dealings with Franchisee or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that Franchisor may render to such suppliers.

8.7.3 Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier’s failure to continue to meet any of Franchisor’s then-current criteria. Upon receipt of written notice of such revocation, Franchisee shall cease to sell or use any disapproved item, Products and/or cease to purchase from any disapproved supplier.

8.7.4 Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier, nor to require Franchisor to make available to prospective suppliers any of Franchisor’s standards and specifications for formulas, which Franchisor shall have the right to deem confidential.

8.7.5 Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Franchisor’s sole option, Franchisor may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally known suppliers who are willing to supply all or some 16 Handles Stores with some or all of the products and/or services that

Franchisor requires for use and/or sale in the development and/or operation of 16 Handles Stores. In this event, Franchisor may limit the number of approved suppliers with whom Franchisee may deal, designate sources that Franchisee must use for some or all Products and other products and services, and/or refuse any of Franchisee's requests if Franchisor believes that this action is in the best interests of the System or the franchised network of 16 Handles Stores. Franchisor shall have unlimited discretion to approve or disapprove of the suppliers who may be permitted to sell Products to Franchisee.

8.7.6 Franchisor and its affiliates may receive payments or other compensation from suppliers on account of such suppliers' dealings with Franchisee and other franchisees; and Franchisor may use all amounts so received for any purpose Franchisor and its affiliates deem appropriate.

8.8 Proprietary Products

Franchisee acknowledges and agrees that the Proprietary Products offered and sold at 16 Handles Stores are manufactured in accordance with secret blends, recipes, standards, and specifications of Franchisor and/or Franchisor's affiliates, and are Proprietary Products of Franchisor and/or its affiliates. In order to maintain the high standards of quality, taste, and uniformity associated with Proprietary Products sold at all 16 Handles Stores in the System, Franchisee agrees to purchase Proprietary Products only from Franchisor, its affiliate or its designee(s), and not to offer or sell any other items not approved by Franchisor at or from the Franchised Store. In connection with the handling, storage, transport and delivery of any Proprietary Products purchased from Franchisor, its affiliates or designee(s), Franchisee acknowledges that any action or inaction by any third party (e.g., an independent carrier) in connection with the handling, storage, transport and delivery of the Proprietary Products shall not be attributable to nor constitute negligence of Franchisor. A request shall not be approved unless and until Franchisee receives written approval from Franchisor.

8.9 Inspections

Franchisee shall permit Franchisor and its agents to enter upon the Premises at any time during normal business hours for the purpose of conducting inspections of the Premises and the operations of Franchisee. Franchisee shall cooperate with representatives in such inspections by rendering such assistance as they may reasonably request and, upon notice from Franchisor or its agents, and without limiting other rights of Franchisor under this Agreement, shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Should Franchisee, for any reason, fail to correct such deficiencies within a reasonable time as determined by Franchisor, Franchisor shall have the right, but not the obligation, to correct any deficiencies which may be susceptible to correction by Franchisor and to charge Franchisee the actual expenses of Franchisor in so acting, which shall be payable by Franchisee upon demand. The foregoing shall be in addition to such other remedies Franchisor may have.

8.10 Trademarked Items

Franchisee shall ensure that all marketing and promotional materials, signs, decorations, paper goods (including wrapping and containers for products, napkins, menus and all forms and stationery used in the Franchised Store), Products, and other items specified by Franchisor bear the Proprietary Marks in the form, color, location, and manner prescribed by Franchisor. Franchisee shall place and illuminate all signs in accordance with Franchisor's specifications, subject to local law and the terms of the lease for the Premises. Franchisee shall not print, manufacture, display, distribute or use in any way trademarked items without the Franchisor's prior written approval.

8.11 Participation in Promotions and Gift Card Program(s)

Franchisee shall participate in promotional programs developed by Franchisor for the System, in the manner directed by Franchisor in the Manual or otherwise in writing, to the extent such promotional programs do not directly affect Franchisee's pricing freedom. In no way limiting the foregoing, Franchisee agrees that if required by Franchisor:

8.11.1 Franchisee shall participate in all programs and services for frequent customers, senior citizens, children, and other categories, which may include providing discount or complimentary Products. Franchisee shall pay

8.11.2 Franchisee shall sell or otherwise issue gift cards or certificates (together, the “**Gift Cards**”) that have been prepared utilizing the standard form of Gift Card provided or designated by Franchisor, and only in the manner specified by Franchisor in the Manual or otherwise in writing. Franchisee shall fully honor all Gift Cards that are in the form provided or approved by Franchisor regardless of whether a Gift Card was issued by Franchisee or another 16 Handles Store. Franchisee shall sell, issue, and redeem (without any offset against any Royalty Fees) Gift Cards in accordance with procedures and policies specified by Franchisor in the Manual or otherwise in writing, including those relating to procedures by which Franchisee shall request reimbursement for Gift Cards issued by other 16 Handles Stores and for making timely payment to Franchisor, other operators of 16 Handles Stores, or a third-party service provider for Gift Cards issued from the Franchised Store that are honored by Franchisor or other 16 Handles Store operators.

8.11.3 In addition to the in-term policies and procedures associated with the Gift Cards program, Franchisee will be required to pay Franchisor an amount necessary to cover any outstanding liability associated with Gift Cards that are purchased at and issued by the Franchised Store, but not yet redeemed at any 16 HANDLES location as of the date this Agreement is terminated (the “Gift Card Liability Amount”), provided such termination was by Franchisor for cause.

8.12 Health Standards

Franchisee shall meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Store under the Manual and applicable health ordinances. Franchisee shall also comply with the requirements set forth in the Manual for submitting to Franchisor a copy of a violation or citation relating to Franchisee's failure to maintain any health or safety standards in the operation of the Franchised Store.

8.13 Maintenance of Premises

Franchisee shall maintain the Franchised Store and the Premises in a clean, orderly condition and in excellent repair, and in connection therewith Franchisee shall, at its expense, make such repairs and replacements thereto (but no others without prior written consent of Franchisor) as may be required for that purpose, including such periodic repainting or replacement of obsolete signs, maintenance of furnishings, equipment, and décor as Franchisor may reasonably direct.

8.14 Ongoing Upgrades and Refurbishments

As set forth in Section 8.6.1, throughout the term of this Agreement, Franchisee, at its expense and in reasonable timelines but no greater than two (2) months after receipt of notice from Franchisor, shall maintain all fixtures, furnishings, equipment, décor and signs as Franchisor may prescribe from time to time in the Manual or otherwise in writing. Franchisee shall make such changes, upgrades, refurbishment, and replacements as Franchisor may periodically require, in the time frames specified by Franchisor. Such refurbishment may include structural changes, installation of new equipment and signs, remodeling,

redcoration, and modifications to existing improvements, and shall be completed pursuant to such standards, specifications and deadlines as Franchisor may specify. If any condition presents a threat to customers or public health or safety, Franchisee must cure and maintain the items immediately. If Franchisee fails to make any improvements or perform the maintenance as required by this section, Franchisor may, in addition to its other rights in this Agreement, implement such improvements or maintenance and Franchisee must reimburse Franchisor for the costs of such improvements and maintenance.

8.15 Compliance with Lease

Franchisee shall comply with all terms of its lease or sublease, its financing agreements (if any), and all other agreements affecting the operation of the Franchised Store; shall undertake best efforts to maintain a good and positive working relationship with its landlord and/or lessor; and shall not engage in any activity which may jeopardize Franchisee's right to remain in possession of, or to renew the lease or sublease for, the Premises.

8.16 Obligations to Third Parties

Franchisee must at all times pay its distributors, contractors, suppliers, trade creditors, employees and other creditors promptly as the debts and obligations to such persons become due, and failure to do so shall constitute a breach of this Agreement.

8.17 Notice of Legal Actions

Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any suit to foreclose any lien or mortgage, or any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, including health agencies, which (i) relates to the operation of the Franchised Store, (ii) may adversely affect the operation or financial condition of the Franchised Store, or (iii) may adversely affect Franchisee's financial condition.

8.18 No Relocation

Franchisee shall not relocate the Franchised Store from the Approved Location without the prior written approval of Franchisor. If Franchisee desires to relocate the Franchised Store, the following terms and conditions shall apply:

8.18.1 Franchisee shall submit such materials and information as Franchisor may request for the evaluation of the requested plan of relocation. Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval for relocation: (i) Franchisee not be in default under any provision of this Agreement, or any other agreement between Franchisee and Franchisor; (ii) the proposed substitute location meets Franchisor's then-current standards for 16 Handles Stores and is located within the Designated Territory; (iii) the lease (if applicable) for the proposed substitute location must comply with Franchisor's then-current lease requirements for 16 Handles Stores (which may include the requirement that the lease contain certain terms and conditions, which may be different than or in addition to those terms Franchisor required as of the Effective Date of this Agreement with respect to the Approved Location), and Franchisee must obtain Franchisor's approval of the proposed lease; (iv) Franchisee must possess the financial resources to meet the costs associated with relocating; (v) Franchisee enter into Franchisor's then-current form of Franchise Agreement (which shall replace this Agreement); and (vi) Franchisee shall be required to pay Franchisor's then-current relocation fee.

8.18.2 If, through no fault of Franchisee, the Premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) days thereafter, then Franchisee shall have forty-five (45) days after such event in which to apply for Franchisor's approval to

relocate and/or reconstruct the Premises, which approval shall not be unreasonably withheld and, in such event, the relocation fee described in Section 8.18.1 above shall not apply.

8.19 Franchisee Advisory Councils

Franchisor has the right to form one (1) or more advisory councils to work with Franchisor to improve the System, improve marketing, or to advise Franchisor on other matters. If Franchisor elects to form such an advisory council, the members will include Franchisor's representatives and franchisee representatives. The franchisee representatives may be chosen by Franchisor or elected by the franchisees, at Franchisor's discretion. If formed, the advisory councils will act in an advisory capacity only and will not have decision making authority. Franchisor will have the right to form, change, merge or dissolve any advisory council at any time.

8.20 Changes to the System

Franchisee acknowledges and agrees that from time to time hereafter Franchisor may change or modify the System presently identified by the Proprietary Marks, as Franchisor deems appropriate, including without limitation to reflect the changing market and to meet new and changing consumer demands, and that variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of 16 Handles Stores. Changes to the System may include, without limitation, the adoption and use of new, modified, or substituted products, services, equipment and furnishings and new techniques and methodologies, and (as described in Section 9 below) additional or substitute trademarks, service marks and copyrighted materials. Franchisee shall, upon reasonable notice, accept, implement, use and display in the operation of the Franchised Store any such changes in the System, as if they were part of this Agreement at the time of execution hereof, at Franchisee's sole expense. Additionally, Franchisor reserves the right, in its sole discretion, to vary the standards throughout the System, as well as the services and assistance that Franchisor may provide to some franchisees based upon the peculiarities of a particular site or circumstance, existing business practices, or other factors that Franchisor deems to be important to the operation of any 16 Handles Store or the System. Franchisee shall have no recourse against Franchisor on account of any variation to any franchisee and shall not be entitled to require Franchisor to provide Franchisee with a like or similar variation hereunder.

8.21 Modifications Proposed by Franchisee

Franchisee shall not implement any change to the System (including the use of any product or supplies not already approved by Franchisor) without Franchisor's prior written consent. Franchisee acknowledges and agrees that, with respect to any change, amendment, or improvement in the System or use of additional product or supplies for which Franchisee requests Franchisor's approval: (i) Franchisor shall have the right to incorporate the proposed change into the System and shall thereupon obtain all right, title, and interest therein without compensation to Franchisee, (ii) Franchisor shall not be obligated to approve or accept any request to implement change, and (iii) Franchisor may from time to time revoke its approval of particular change or amendment to the System, and upon receipt of written notice of such revocation, Franchisee shall modify its activities in the manner described by Franchisor.

9. PROPRIETARY MARKS

9.1 Ownership

Franchisor represents with respect to the Proprietary Marks that:

9.1.1 Franchisor is the owner of two (2) of the Proprietary Marks and the licensee of the owner of the other Proprietary Marks, with all right, title, and interest in and to the Proprietary Marks.

9.1.2 Franchisor will take all steps reasonably necessary to preserve and protect the ownership and validity in and to the Proprietary Marks.

9.2 License to Franchisee

Franchisee's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of rights of Franchisor.

9.3 Terms of Franchisee's Usage

With respect to Franchisee's use of the Proprietary Marks, Franchisee agrees to:

9.3.1 Use only the Proprietary Marks designated by Franchisor, and to use them only in the manner authorized and permitted by Franchisor;

9.3.2 Franchisee shall use the Proprietary Marks only for the operation of the business franchised hereunder and only at the location authorized hereunder, or in Franchisor-approved marketing for the business conducted at or from that location;

9.3.3 Operate and advertise the Franchised Store only under the name "16 Handles," and/or such other names as Franchisor may designate, and use the Proprietary Marks without prefix or suffix unless otherwise authorized or required by Franchisor;

9.3.4 Franchisee shall not use the Proprietary Marks as part of its corporate or other legal name, or as part of any e-mail address, domain name, or other identification of Franchisee in any electronic medium. Franchisee may, as necessary to conduct the business of the Franchised Store and to obtain governmental licenses and permits for the Franchised Store, indicate that Franchisee shall be operating the Franchised Store under the trade name "16 Handles," provided that Franchisee shall also clearly identify itself as the owner and operator of the Franchised Store;

9.3.5 Identify itself as the independent owner of the Franchised Store (in the manner required by Franchisor) in conjunction with any use of the Proprietary Marks, including on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations on the Premises as Franchisor may designate in writing;

9.3.6 Not to use the Proprietary Marks to incur any obligation or indebtedness on behalf of Franchisor;

9.3.7 Execute any documents deemed necessary by Franchisor to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability; and

9.3.8 Promptly notify Franchisor of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to Franchisor's license of, the right of Franchisor to use and to license others to use, or Franchisee's right to use the Proprietary Marks. Franchisee acknowledges that Franchisor has the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. Franchisor has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. Franchisor shall defend Franchisee against any third-party claim, suit, or demand arising out of Franchisee's use of the Proprietary Marks. If Franchisor, in its sole discretion, determines that Franchisee has used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisor. If Franchisor, in its sole discretion, determines that Franchisee has not used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by

Franchisee. In the event of any litigation relating to Franchisee's use of the Proprietary Marks, Franchisee shall execute any and all documents and do such acts as may, in the opinion of Franchisor, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse Franchisee for its out-of-pocket costs in doing such acts.

9.4 Franchisee Acknowledgments

Franchisee expressly understands and acknowledges that:

9.4.1 Franchisor is the owner of two (2) of the Proprietary Marks and the licensee of the owner of the other Proprietary Marks, with all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them, and that Franchisor has the sole right to use, and license others to use, the Proprietary Marks;

9.4.2 During the term of this Agreement and after its expiration or termination, Franchisee shall not directly or indirectly contest the validity of Franchisor's right to use and to license others to use, the Proprietary Marks;

9.4.3 Franchisee's use of the Proprietary Marks does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks;

9.4.4 Any and all goodwill arising from Franchisee's use of the Proprietary Marks shall inure solely and exclusively to the benefit of Franchisor and the owner of the Proprietary Marks, and, upon expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Proprietary Marks;

9.4.5 The right and license of the Proprietary Marks granted hereunder to Franchisee is non-exclusive, and Franchisor thus has and retains the rights, among others: (a) to use the Proprietary Marks itself in connection with selling the Products; (b) to grant other licenses for the Proprietary Marks; and (c) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses thereto without providing any rights therein to Franchisee; and

9.4.6 Franchisor shall have the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder at the sole discretion of Franchisor. Franchisor shall not have any obligation in such event to reimburse Franchisee for its documented expenses of compliance. Franchisee waives any other claim arising from or relating to any Proprietary Mark change, modification or substitution. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any Proprietary Mark addition, modification, substitution or discontinuation. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

10. CONFIDENTIAL OPERATIONS MANUAL

10.1 The Manual and Furnishings to Franchisee

In order to protect the reputation and goodwill of Franchisor and to maintain high standards of operation under the System, Franchisee shall operate the Franchised Store in accordance with the standards, methods, policies, and procedures specified in the Manual, which Franchisee shall receive on loan from Franchisor, via electronic access or otherwise, for the term of this Agreement upon completion by

Franchisee of initial training. The Manual may be set forth in several volumes, computer disks, other electronic stored data (such as a password-protected website), and videotapes, including such amendments thereto, as Franchisor may publish from time to time. Additionally, Franchisee acknowledges and agrees that Franchisor may provide a portion or all (including updates and amendments) of the Manual, and other instructional information and materials in, or via, electronic media, including without limitation, through the use of computer disks, the Internet or an Extranet. The Manual is incorporated into this Agreement by reference.

10.2 The Manual is Proprietary and Confidential

Franchisee shall treat the Manual, any other materials created for or approved for use in the operation of the Franchised Store, and the information contained therein as confidential, and shall use all reasonable efforts to maintain such information (both in electronic and other formats) as proprietary and confidential. Franchisee shall not download, copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, or otherwise make the same available to any unauthorized person, except as authorized in advance by the Franchisor in writing.

10.3 The Manual Remains Franchisor's Property

The Manual shall remain the sole property of Franchisor and shall be accessible only from a secure place on the Premises, and shall be returned to Franchisor, as set forth in Section 17.8 below, upon the termination or expiration of this Agreement. Upon receipt of the Manual by Franchisee, Franchisee shall execute a Receipt Form noting that Franchisee received the manual as a loan and shall return the manual upon termination of this Agreement.

10.4 Revisions to the Manual

Franchisor may from time to time revise the contents of the Manual, and Franchisee expressly agrees to comply with each new or changed standard. Franchisee shall ensure that the Manual is kept current at all times. In the event of any dispute as to the contents of the Manual, the terms of the master copies maintained at the home office of Franchisor shall be controlling.

11. CONFIDENTIAL INFORMATION

11.1 Agreement with Respect to Confidentiality

Franchisee acknowledges and agrees that it shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person or entity any confidential information, knowledge, or know-how concerning Franchisor, the System, the Products and/or the marketing, management or operations of the Franchised Store that may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement. Franchisee shall divulge such confidential information only to such of its employees and agents as must have access to it in order to operate the Franchised Store. Any and all information, knowledge, know-how, and techniques which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

11.2 Individual Covenants of Confidentiality

At Franchisor's request, Franchisee shall require its manager(s) and any personnel having access to any confidential information of Franchisor to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by Franchisee at the Franchised Store. Such covenants shall be in a form satisfactory to Franchisor (the current forms of which

are included in Exhibit F to this Agreement), which shall include specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

11.3 Remedies for Breach

Franchisee acknowledges that any failure to comply with the requirements of this Section 11 will cause Franchisor irreparable injury, and Franchisee agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

11.4 Grant Back

Franchisee agrees to disclose to Franchisor all ideas, concepts, methods, techniques and products conceived or developed by Franchisee, its affiliates, owners or employees during the term of this Agreement relating to the development and/or operation of the Franchised Store. Franchisee hereby grants to Franchisor and agrees to procure from its affiliates, owners or employees a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques in all 16 Handles businesses operated by Franchisor or its affiliates, franchisees and designees. Franchisor shall have no obligation to make any payments to Franchisee with respect to any such ideas, concepts, methods, techniques or products. Franchisee agrees that Franchisee will not use or allow any other person or entity to use any such concept, method, technique or product without obtaining Franchisor's prior written approval.

12. ACCOUNTING AND RECORDS

12.1 Books and Records

With respect to the operation and financial condition of the Franchised Store, Franchisor may require that Franchisee adopt, until otherwise specified by Franchisor, a fiscal year that coincides with Franchisor's then-current fiscal year, as specified by Franchisor in the Manual or otherwise in writing. Franchisee shall maintain for a period of not less than ten (10) years during the term of this Agreement, and, for not less than ten (10) years following the termination, expiration, or non-renewal of this Agreement, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manual or otherwise in writing, including but not limited to: (i) daily transaction reports; (ii) cash receipts journal and general ledger; (iii) cash disbursements and weekly payroll journal and schedule; (iv) monthly bank statements, deposit slips and cancelled checks; (v) all tax returns; (vi) suppliers' invoices (paid and unpaid); (vii) dated daily and weekly transaction journal; (viii) semi-annual fiscal period balance sheets and fiscal period profit and loss statements; and (ix) such other records as Franchisor may from time to time request.

12.2 Franchisee's Reports to Franchisor

In addition to the Sales Reports required pursuant to Section 4.3 above, Franchisee shall:

12.2.1 Prepare by the tenth (10th) day of each calendar month an income statement and an activity report for the preceding calendar month, which shall be in the form prescribed by Franchisor. Franchisee shall maintain and submit such statements and reports to Franchisor at the times as Franchisor may designate or otherwise request.

12.2.2 Submit to Franchisor on April 15th of the year following the end of each calendar year, unless Franchisor designates in writing a different due date, during the term of this Agreement, a profit and loss statement for such year and a balance sheet as of the last day of such year, prepared on an accrual basis in accordance with U.S. generally accepted accounting principles ("GAAP"), including but not limited to all adjustments necessary for fair presentation of the financial statements. Franchisee shall certify

such financial statements to be true and correct. Additionally, Franchisor reserves the right to require Franchisee to prepare (or cause to be prepared) and provide to Franchisor annual financial statements (that includes a fiscal year-end balance sheet, an income statement of the Franchised Store for such fiscal year reflecting all year-end adjustments, and a statement of changes in cash flow of Franchisee), and to require that such statements be prepared on a review basis by an independent certified public accountant (who Franchisor may require to be retained in accordance with Section 4.6). Franchisee shall provide such additional information, if any, as Franchisor may reasonably require in order for Franchisor to meet its obligations under GAAP.

12.2.3 Franchisee shall maintain its books and records, and provide all statements and reports to Franchisor, using the standard statements, templates, categories, and chart of accounts that Franchisor provides to Franchisee.

12.2.4 Submit to Franchisor such other periodic reports, forms and records as specified, and in the manner and at the time as specified in the Manual or as Franchisor shall otherwise require in writing from time to time (including without limitation the requirement that Franchisee provide or make available to Franchisor certain sales and financial information in electronic format and/or by electronic means).

12.3 Inspection and Audit

Franchisor and its agents shall have the right at all reasonable times to examine and copy, at the expense of Franchisor, the books, records, accounts, and/or business tax returns of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. If an inspection should reveal that any contributions or payments have been understated in any statement or report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount understated upon demand together with interest thereon as described in Section 4.8. If an inspection discloses an understatement in any statement or report of two percent (2%) or more, or if Franchisee's books and records are audited due to Franchisee's failure to provide Franchisor with required reports and/or statements, then Franchisee shall, in addition to repayment of monies owed with interest, reimburse Franchisor for any and all costs and expenses connected with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

13. MARKETING AND PROMOTION

13.1 Brand Development Fund

Franchisor shall have the right at any time, in its sole discretion to establish a brand development to market, advertise, promote and other develop the System, Marks, Stores and brand generally (the "**Fund**"). During the existence of the Fund, Franchisee shall contribute a percentage of the Franchised Store's Gross Sales to the Fund each week, payable in the manner specified in Section 4.4 above. Currently the Franchisee is required to contribute two percent (2%) of the Franchised Store's Gross Sales to the Fund. The Fund shall be maintained and administered by Franchisor as follows:

13.1.1 Franchisor shall direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisor is not obligated, in administering the Fund, to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Fund.

13.1.2 The Fund, all contributions thereto, and any earnings thereon shall be used exclusively, but not be limited, to meet any and all costs of maintaining, administering, directing, conducting, and preparing marketing, advertising, public relations, and/or promotional programs and materials, and any other activities including socially responsible activities, which Franchisor believes will enhance the image of the System, including, among other things, the costs of preparing and conducting media marketing campaigns; direct mail marketing; marketing surveys and other public relations activities; employing advertising and/or public relations agencies to assist therein; product development; hiring of spokespeople; sponsorship of organizations and events; purchasing promotional items; development and maintenance of Franchisor's Website; conducting and administering in-store promotions; and providing promotional and other marketing materials and services to the 16 Handles Stores operating under the System. Franchisor may also use money from the Fund to present additional and/or refresher training programs.

13.1.3 All sums paid by Franchisee to the Fund shall be accounted for separately and shall not be used to defray any of the expenses of Franchisor, except for such reasonable costs, salaries and overhead, if any, as Franchisor may incur in activities reasonably related to the direction and implementation of the Fund and marketing programs for operators and the System, including costs of personnel for creating and implementing marketing, advertising, and promotional programs. The Fund and any earnings from it shall not otherwise inure to the benefit of Franchisor. Franchisor shall account for the Fund separately from its general funds, although Franchisor may commingle funds. Any monies remaining in the Fund at the end of any fiscal year shall carry over to the next year.

13.1.4 Franchisor, upon request, shall provide Franchisee with an annual accounting of Fund receipts and disbursements.

13.1.5 Franchisor reserves the right, in its sole discretion, to discontinue the Fund upon written notice to Franchisee; provided, however, that the Fund shall not be terminated until all monies in the Fund have been spent for marketing or promotional purposes. If Franchisor terminates the Fund, Franchisor shall have the right to reinstate such Fund at any time and upon notice to Franchisee. If the Fund is terminated and subsequently reinstated, the Fund shall be maintained and administered as described in this Section 13.1.

13.1.6 Franchisor may, but is not required to, make available to Franchisee from time to time, marketing plans and promotional materials, including but not limited to newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, and similar marketing and promotional materials produced from contributions to the Fund. Franchisee acknowledges and agrees that it shall be reasonable for Franchisor to not provide any such materials to Franchisee during any period in which Franchisee is in not in full compliance with its obligations to contribute to the Fund. Additionally, if monies of the Fund are used to produce point of sale materials, or other samples or other promotional materials and items, Franchisor may, on the behalf of the Fund, sell such items to franchisees in the System at a reasonable price, and any proceeds from the sale of such items or materials shall be contributed to the Fund.

13.2 Cooperative Fund

Franchisor may, in its discretion, create a regional marketing cooperative in any area ("**Cooperative Fund**"), or Franchisor may approve the creation of such a cooperative by franchisees in the System, and establish the rules and regulations therefor. Immediately upon Franchisor's request, the Franchisee must become a member of the Cooperative Fund for the area in which some or all of Franchisee's Designated Territory is located. In no event may the Franchised Store be required to be a member of more than one (1) Cooperative Fund. The Cooperative Fund must be governed in the manner

Franchisor prescribes. The Cooperative Fund may require each of its members to make contributions thereto not to exceed one percent (1%) of such member's Gross Sales. Franchisee shall contribute such amounts at the times and in the manner as determined by the Cooperative Fund members. Any funds contributed to a Cooperative Fund will be credited against the Franchisee's obligation to pay for local marketing as set forth in Section 13.3 below; provided, however, that in the event the amount Franchisee contributes to a Cooperative Fund is less than the amount Franchisee is required to expend for local marketing, Franchisee shall nevertheless be required to spend the difference locally. The following provisions apply to each Cooperative Fund:

13.2.1 the Cooperative Fund must be organized and governed in a form and manner, and commence operation on a date that Franchisor approves in advance in writing;

13.2.2 the Cooperative Fund must be organized for the exclusive purpose of administering marketing programs and developing, subject to Franchisor's approval, standardized promotional materials for the members' use in local marketing within the Cooperative Fund's area;

13.2.3 the Cooperative Fund may adopt its own rules and procedures, but such rules or procedures must be approved by Franchisor and must not restrict or expand the Franchisee's rights or obligations under this Agreement;

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

13.2.5 without Franchisor's prior written approval, the Cooperative Fund may not use, nor furnish to its members, any marketing or promotional plans or materials; all such plans and materials must be submitted to Franchisor in accordance with the procedure set forth in Section 13.6;

13.2.6 the Cooperative Fund may require its members to periodically contribute to it in such amounts as it determines, subject to the limit set forth in the first paragraph of this Section 13.2;

13.2.7 no later than the fifteenth (15th) day of each month, each member/franchisee must submit its contribution under Section 13.2.6 for the preceding calendar month to the Cooperative Fund, together with such other statements or reports as Franchisor or the Cooperative Fund may require, with Franchisor's prior written approval;

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

13.2.9 Franchisor may require members to contribute at different rates; and

13.2.10 the Cooperative Fund will render quarterly and annual marketing expenditure reports (and such other financial statements as Franchisor may require) to Franchisor.

13.3 Local Marketing

Franchisee shall comply with the following with respect to “local marketing and promotion” for the Franchised Store:

13.3.1 Franchisee shall spend on a yearly basis a minimum of Ten Thousand Dollars (\$10,000). Franchisee shall account for such expenditures on a routine basis and shall prepare, in accordance with the schedule and procedures specified by Franchisor from time to time, detailed reports describing the amount of money expended on local marketing and promotion during such previous period. Franchisee shall maintain all such statements, reports and records, and shall submit same to Franchisor as Franchisor may specify in the Manual or as Franchisor may otherwise request of Franchisee. Additionally, at the request of Franchisor, Franchisee shall submit bills, statements, invoices, or other documentation satisfactory to Franchisor to evidence Franchisee’s marketing activities.

13.3.2 As used in this Agreement, the term “**local marketing and promotion**” shall refer to marketing and promotion related directly to the Franchised Store, and shall, unless otherwise specified, consist only of the direct costs of purchasing marketing materials (including, but not limited to, camera-ready marketing and point of sale materials), media (space or time), promotion, direct out-of-pocket expenses related to costs of marketing and sales promotion (including, but not limited to, advertising agency fees and expenses, cash and “in-kind” promotional payments to landlords, postage, shipping, telephone, and photocopying), and such other activities and expenses as Franchisor, in its sole discretion, may specify. Franchisor may provide to Franchisee, in the Manual or otherwise in writing, information specifying the types of marketing and promotional activities and costs which shall not qualify as “local marketing and promotion,” including, without limitation, the value of coupons, and the costs of products provided for free or at a reduced charge for charities or other donations.

13.3.3 Upon written notice to Franchisee, Franchisor may require Franchisee to participate in mandatory promotions as Franchisor may develop and implement from time to time.

13.4 Grand Opening Marketing

Franchisee shall expend a minimum of Eight Thousand Dollars (\$8,000) for grand opening marketing and promotional programs in conjunction with the Franchised Store’s initial grand opening, pursuant to a grand opening marketing plan developed by Franchisor or developed by Franchisee and approved in writing by Franchisor (the “**Grand Opening Marketing Program**”). The Grand Opening Marketing Program shall be executed and completed within the first sixty (60) days after the Franchised Store commences operation. Franchisee shall submit to Franchisor, for Franchisor’s prior written approval, a marketing plan and samples of all marketing and promotional material not prepared or previously approved by Franchisor.

13.5 Standards for Marketing

All advertising, marketing and promotion to be used by Franchisee, the Fund or any Cooperative Fund shall be in such media and of such type and format as Franchisor may approve, shall be conducted in a dignified manner, and shall conform to such standards and requirements as Franchisor may specify. Franchisee shall not use any marketing or promotional plans or materials that are not provided by Franchisor unless and until Franchisee has submitted the materials to Franchisor, pursuant to the procedures and terms set forth in Section 13.6 herein.

13.6 Franchisor’s Approval of Proposed Plans and Materials

If Franchisee desires to use marketing and promotional plans and materials that have not been provided or previously approved by Franchisor, Franchisee shall submit samples of all such marketing and

promotional plans and materials to Franchisor (as provided in Section 24 herein) for prior approval. If Franchisor does not provide its specific approval of such materials within fifteen (15) days after the date of receipt by Franchisor, Franchisor shall be deemed to have not approved them. Any materials submitted to the Franchisor for its review shall become the Franchisor's property as described in Section 13.8 below. Franchisor reserves the right to require Franchisee to include certain language in its local marketing and promotion, including, but not limited to, "Franchises Available" and Franchisor's Website address and phone number.

13.7 Directory Listings

Franchisee shall, at its expense and in addition to its expenditures for local marketing and promotion, obtain listings in the white and yellow pages of local telephone directories. Franchisee shall comply with Franchisor's specifications concerning such listings, including the form and size of such listings, and the number of directories in which such listings shall be placed. Additionally, Franchisee shall be required to obtain listings in and/or advertise with Franchisor and other franchisees in the System, on electronic yellow page directories and other on-line directories as Franchisor may designate. Franchisor reserves the right to place such, and subsequently modify or remove, on-line listings and advertisements on behalf of Franchisee. For any listings or advertisements posted by or on behalf of Franchisee, Franchisee shall promptly pay, upon demand by Franchisor, its pro-rata share of the costs. Additionally, these activities may be carried out through the use of the Fund.

13.8 Ownership of Marketing Plans and Materials

Franchisee acknowledges and agrees that any and all copyrights in and to marketing and promotional materials developed by or on behalf of Franchisee which bear the Proprietary Marks shall be the sole property of Franchisor, and Franchisee agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor 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 Store or the System and approved by Franchisor may be used by Franchisor and other operators under the System of Franchisor without any compensation to Franchisee.

14. INSURANCE

14.1 Insurance

Franchisee shall procure at its expense and maintain in full force and effect during the term of this Agreement, an insurance policy or policies protecting Franchisee and Franchisor, and their officers, directors, partners and employees against any loss, liability, personal injury, death, or property damage or expense whatsoever arising or occurring upon or in connection with Franchisee's operations and the Franchised Store, as Franchisor may reasonably require for their own and Franchisee's protection. Franchisor and such of its respective affiliates shall be named additional insured in such policy or policies.

14.2 Coverages

Such policy or policies shall be written by an insurance company satisfactory to Franchisor in accordance with standards and specifications set forth in the Manual or otherwise in writing; provided, however, that Franchisor shall have the right, from time to time, to designate one or more insurance companies as the insurance carrier(s) for 16 Handles Stores, and if required by Franchisor, Franchisee shall obtain its insurance coverage from the designated insurance company (or companies). The policy or policies shall include, at a minimum (except as different coverages, umbrella coverages, and policy limits may reasonably be specified for all Franchisees from time to time by Franchisor in the Manual or otherwise in writing) the following:

14.2.1 Comprehensive general liability insurance for bodily injury, death and property damage, and including employment practices coverage and professional liability, caused by the Store's operation, with limits of not less than One Million Dollars (\$1,000,000) per occurrence, Two Million Dollars (\$2,000,000) aggregate.

14.2.2 All risk property and casualty insurance for the replacement value of the Store and its contents.

14.2.3 Business interruption insurance.

14.2.4 Product liability insurance with limits of not less than One Million Dollars (\$1,000,000) per occurrence.

14.2.5 Worker's compensation insurance and all other insurance required by law.

14.2.6 Such insurance and types of coverage as may be required by the terms of any lease for the Premises, or as may be required from time to time by Franchisor.

14.3 Certificates of Insurance

The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance which may be maintained by Franchisor. Prior to commencing any renovations or construction at the Franchised Store, Franchisee shall provide Franchisor with a Certificate of Insurance for builder's risk insurance. At least thirty (30) days prior to the opening of the Franchised Store, but in no event later than the date on which Franchisee acquires an interest in the real property on which it will develop and operate the Franchised Store, and thereafter on an annual basis, Franchisee shall provide Franchisor with a Certificate of Insurance showing compliance with the foregoing requirements. Such certificate shall state that said policy or policies will not be canceled or altered without at least thirty (30) days' prior written notice to Franchisor and shall reflect proof of payment of premiums. Maintenance of such insurance and the performance by Franchisee of the obligations under this Paragraph shall not relieve Franchisee of liability under the indemnity provision set forth in this Agreement. Franchisee acknowledges that minimum limits as required above, and types of required insurance, may be modified by Franchisor in its sole discretion from time to time, by written notice to Franchisee.

14.4 Franchisor's Right to Procure Insurance for Franchisee

Should Franchisee, for any reason, not procure and maintain such insurance coverage as required by this Agreement, Franchisor shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance coverage and to charge same to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

15. TRANSFER OF INTEREST

15.1 Franchisor's Rights to Transfer

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

Franchisee expressly affirms and agrees that Franchisor may sell its assets, its rights to the Proprietary Marks or to the System outright to a third party; may go public; may engage in a private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of said Proprietary Marks (or any variation thereof) and/or the loss of association with or identification of “Yo Fresh Inc.” as Franchisor. Nothing contained in this Agreement shall require Franchisor to remain in the retail frozen dessert business or to offer the same products and services, whether or not bearing the Proprietary Marks, in the event that Franchisor exercises its right to assign its rights in this Agreement.

15.2 No Transfers Without Franchisor’s Approval

Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee or the Principals of Franchisee, if Franchisee is not an individual, and that Franchisor has granted this franchise in reliance on Franchisee’s or Franchisee’s Principals’ business skill, financial capacity, and personal character. Accordingly:

15.2.1 Franchisee shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber: (a) the rights and/or obligations of Franchisee under this Agreement; or (b) any material asset of Franchisee or the Franchised Store.

15.2.2 If Franchisee is a corporation or limited liability company, Franchisee shall not, without the prior written consent of Franchisor, issue any voting securities or securities convertible into voting securities, including membership interests, and the recipient of any such securities shall become a Principal under this Agreement, if so designated by Franchisor.

15.2.3 If Franchisee is a partnership or limited partnership, the partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner shall automatically be deemed a Principal of Franchisee.

15.2.4 A Principal shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber any interest of the Principal in Franchisee, as such is identified in Exhibit C.

15.3 Conditions on Transfer

Franchisor shall not unreasonably withhold any consent required by Section 15.2 above; provided, that if the proposed transfer alone or together with other previous, simultaneous, or proposed transfers would have the effect of changing control of Franchisee, results in the assignment of the rights and obligations of Franchisee under this Agreement, or transfers the ownership interest in all or substantially all of the assets of the Franchised Store or the business franchised hereunder, Franchisor shall have the right to require any or all of the following as conditions of its approval:

15.3.1 All of Franchisee’s monetary obligations and all other outstanding obligations to Franchisor, its affiliates, and the approved suppliers of the System have been satisfied in full;

15.3.2 Franchisee shall not be in default under any provision of this Agreement, any other agreement between Franchisee and Franchisor or its affiliate, the approved suppliers of the System, or the lessor (or sublessor) for the Premises;

15.3.3 Each transferor (and, if the transferor is other than an individual, the transferor and such owners of beneficial interest in the transferor as Franchisor may request) shall have executed a general release in a form satisfactory to Franchisor of any and all claims against Franchisor and its affiliates and their respective officers, directors, agents, and employees;

15.3.4 The transferee of a Principal shall be designated as a Principal and each transferee who is designated a Principal shall enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in Franchisee. Additionally, the transferee and/or such owners of the transferee as Franchisor may request shall guarantee the performance of the transferee's obligations in writing in a form satisfactory to Franchisor;

15.3.5 The transferee shall demonstrate to Franchisor's satisfaction that the terms of the proposed transfer do not place an unreasonable financial or operational burden on the transferee, and that the transferee (or, if the transferee is other than an individual, such owners of beneficial interest in the transferee as Franchisor may request) meets Franchisor's then-current application qualifications (which may include educational, managerial, socially responsible, and business standards, good moral character, business reputation, and credit rating); has the aptitude and ability to operate the Franchised Store and absence of conflicting interests; and has adequate financial resources and capital to operate the Franchised Store;

15.3.6 At Franchisor's option, Franchisee shall execute the form of franchise agreement then being offered to new System franchisees, and such other ancillary agreements required by Franchisor for the business franchised hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, higher and/or additional fees;

15.3.7 If so requested by Franchisor, Franchisee, at its expense, shall upgrade the Franchised Store, and other equipment to conform to the then-current standards and specifications of new 16 Handles Stores then being established in the System, and shall complete the upgrading and other requirements within the time specified by Franchisor;

15.3.8 The transferor shall remain liable for all of the obligations to Franchisor in connection with the Franchised Store that arose prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

15.3.9 The transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) and the transferee's manager (if applicable) shall, at the transferee's expense, successfully attend and successfully complete any training programs then in effect for operators and managers upon such terms and conditions as Franchisor may reasonably require;

15.3.10 Franchisee shall pay a transfer fee in an amount equal to: (a) fifty percent (50%) of Franchisor's then-current initial franchise fee, if the Franchised Store is being transferred to a franchisee who will be new to the System, or (b) twenty five percent (25%) of Franchisor's then-current initial franchise fee, if the Franchised Store is being transferred to a franchisee already in the System, to compensate Franchisor for its expenses incurred in connection with the transfer;

15.3.11 The transferor(s) shall agree in writing to comply with the covenants set forth in Section 18 below.

15.4 Additional Terms

For any transfer not covered by Section 15.3, each transferee shall, in addition to the requirement of obtaining Franchisor's consent as provided in Section 15.2, be subject to the requirements of Sections 15.3.3 and 15.3.4 above (with respect to execution of releases and personal guarantees).

15.5 Security Interests

Neither Franchisee nor any Principal shall grant a security interest in, or otherwise encumber, any of the assets or securities of Franchisee, including the Franchised Store, unless Franchisee satisfies the requirements of Franchisor, which include, without limitation, execution of an agreement by the secured party in which it acknowledges the creditor's obligations under this Section 15, and agrees that in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option (but not the obligation) to be substituted as obligor to the secured party and to cure any default of Franchisee, and, in the event Franchisor exercises such option, any acceleration of indebtedness due to Franchisee's default shall be void.

15.6 Right of First Refusal

If Franchisee or any Principal desires to accept any *bona fide* offer from a third party to purchase Franchisee, any material asset of Franchisee, or any direct or indirect interest in Franchisee, Franchisee or such Principal shall promptly notify Franchisor, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of the written transfer request and the required information and documentation related to the offer (including any information that Franchisor may reasonably request to supplement or clarify information provided to Franchisor with the written transfer request), to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party; provided, however, a spouse, domestic partner, parent, sibling or child of the seller shall not be considered a third party for purposes of this Section 15.6. If Franchisor elects to purchase the seller's interest, closing on such purchase shall occur within forty-five (45) days from the date of notice to the seller of the election to purchase by Franchisor, or, if longer, on the same timetable as contained in the *bona fide* offer.

15.6.1 Any material change thereafter in the terms of the offer from the third party or by Franchisee, or a change in the identity of the third party shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Failure of Franchisor to exercise the option afforded by this Section 15.6 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 15 with respect to a proposed transfer.

15.6.2 If the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, Franchisor shall designate an independent appraiser to make a binding determination. The cost of any such appraisal shall be shared equally by Franchisor and Franchisee. If Franchisor elects to exercise its right under this Section 15.6, Franchisor shall have the right to set off all amounts due from Franchisee, and one-half (½) of the cost of the appraisal, if any, against any payment to the seller.

15.7 Death of a Principal

Upon the death of a Principal, the deceased's executor, administrator, or other personal representative shall transfer the deceased's interest to a third party approved by Franchisor within twelve

(12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the deceased's estate, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer the deceased's interest to a third party approved by Franchisor within twelve (12) months after the deceased's death.

15.8 Permanent Disability of Controlling Principal

Upon the permanent disability of any Principal with a controlling interest in Franchisee, Franchisor shall have the right to require such interest to be transferred to a third party in accordance with the conditions described in this Section 15 within six (6) months after notice to Franchisee. **"Permanent Disability"** shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months and from which condition recovery within six (6) consecutive months from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 15.8 as of the date of refusal. Franchisor shall pay the cost of the required examination.

15.9 Operation in the Event of Absence or Disability; Step-In Rights

If Franchisor determines in its reasonable judgment that the operation of Franchisee's business is in jeopardy, or if a default occurs, then in order to prevent an interruption of the franchised business which would cause harm to the franchise system and thereby lessen its value, Franchisee authorizes Franchisor to operate his/her business for as long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies which Franchisor may have under this Agreement. In the reasonable judgment of Franchisor, Franchisor may deem Franchisee incapable of operating the franchised business if, without limitation, Franchisee is absent or incapacitated by reason of illness or death; Franchisee has failed to pay when due or has failed to remove any and all liens or encumbrances of every kind placed upon or against Franchisee's business; or Franchisor determines that operational problems require that Franchisor operate Franchisee's business for a period of time that Franchisor determines, in its sole discretion, to be necessary to maintain the operation of the business as a going concern.

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

15.10 Notice to Franchisor of Death or Permanent Disability

Upon the death or permanent disability of any Principal of Franchisee, such person or his representative shall promptly notify Franchisor of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as any *inter vivos* transfer.

15.11 Limited Exceptions

Notwithstanding anything to the contrary in this Section 15:

15.11.1 Franchisee shall not be required to pay the transfer fee due under Section 15.3.10 above, if the transferee: (a) is a spouse, domestic partner, parent, or direct lineal descendant or sibling of Franchisee or of a Principal of Franchisee (or more than one of such persons), provided that the transferee has been involved in, and is knowledgeable regarding, the operations of the Franchised Store; (b) is a Principal of Franchisee; or (c); is a transferee under Sections 15.7 or 15.8 above.

15.11.2 If Franchisee is an individual and seeks to transfer this Agreement to a corporation, partnership, or limited liability company formed for the convenience of ownership, the conditions of Sections 15.3.6 (signing a new franchise agreement), 15.3.7 (upgrading the Franchised Store), and 15.3.10 (transfer fee) shall not apply, and Franchisee may undertake such transfer, provided that Franchisee owns one hundred percent (100%) of the equity interest in the transferee entity, and the Franchisee personally guarantees, in a written guaranty satisfactory to Franchisor, the performance of the obligations of the Franchisee under the Franchise Agreement.

15.12 No Waiver

The consent of Franchisor to any transfer pursuant to this Section 15 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be a waiver of the right of Franchisor to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

15.13 Bankruptcy

If Franchisee or any person holding any interest (direct or indirect) in Franchisee becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of the ownership of Franchisee, Franchisee's obligations and/or rights hereunder and/or any material assets of Franchisee, shall be subject to all of the terms of this Section 15.

15.14 No Transfers in Violation of Law

Notwithstanding anything to the contrary in this Agreement, no transfer shall be made if the transferee, any of its affiliates, or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

16. DEFAULT AND TERMINATION

16.1 Automatic Termination

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

16.2 Termination Upon Notice

Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon the provision of notice to Franchisee (in the manner provided under Section 24 hereof), upon the occurrence of any of the following events of default:

16.2.1 If Franchisee fails to locate a suitable site within 180 days after the Franchise Agreement is executed or if Franchisee fails to complete all pre-opening obligations and to open the Franchised Store within the time limits as provided in Section 5.4 above;

16.2.2 If Franchisee or any of its Principals is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the Products, the goodwill associated therewith, or the interest of Franchisor therein;

16.2.3 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Store;

16.2.4 If Franchisee's action or inaction, at any time, results in the loss of the right to possession of the Premises, or forfeiture of the right to do or transact business in the jurisdiction where the Franchised Store is located;

16.2.5 If Franchisee or any Principal purports to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 15 hereof;

16.2.6 If Franchisee knowingly maintains false books or records, or knowingly submits any false statements or reports to Franchisor;

16.2.7 If, contrary to the terms of Sections 10 or 11 hereof, Franchisee discloses or divulges the contents of the Manual or other confidential information provided to Franchisee by Franchisor;

16.2.8 If Franchisee fails to comply with the covenants in Section 18.2 below or fails to timely obtain execution of the covenants required under Section 18.5 below;

16.2.9 If Franchisee misuses or makes any unauthorized use of the Proprietary Marks or any other identifying characteristics of the System, or if Franchisee otherwise operates the Franchised Store in a manner that materially impairs the reputation or goodwill associated with the System, Proprietary Marks, Products, or the rights of Franchisor therein;

16.2.10 If Franchisee, after curing a default pursuant to Sections 16.3 or 16.4 hereof, commits the same default again, whether or not cured after notice;

16.2.11 If Franchisee commits three (3) or more defaults under this Agreement in any twelve (12) month period, whether or not each such default has been cured after notice (this provision in no way limits Section 16.2.10 above);

16.2.12 If Franchisee at any time ceases to operate or otherwise abandons the Franchised Store for a period of three (3) consecutive days unless such closure is approved in writing by Franchisor, or excused by *force majeure*;

16.2.13 If Franchisee breaches any material provision of this Agreement which breach is not susceptible to cure;

16.2.14 If Franchisee fails to comply with all applicable laws and ordinances relating to the Franchised Store, including Anti-Terrorism Laws, or if Franchisee's or any of its owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or Franchisee or any of its owners otherwise violate any such law, ordinance, or regulation.

16.3 Notice and Opportunity to Cure – 7 Days

Upon the occurrence of any of the following events of default, Franchisor may, at its option, terminate this Agreement by giving written notice of termination (in the manner set forth under Section 24 hereof) stating the nature of the default to Franchisee at least seven (7) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of Franchisor, and by promptly providing proof thereof to Franchisor within the seven (7) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the seven (7) day period or such longer period as applicable law may require.

16.3.1 If Franchisee fails, refuses, or neglects promptly to pay any monies owing to Franchisor or its affiliates when due;

16.3.2 If Franchisee refuses to permit Franchisor to inspect the Premises, or the books, records, or accounts of Franchisee upon demand; or

16.3.3 If Franchisee fails to operate the Franchised Store during such days and hours specified in the Manual or as stated in writing between Franchisor and Franchisee, subject to applicable law or the terms of the lease for the Premises (this provision in no way limits Section 16.2.12).

16.4 Notice and Opportunity to Cure – 30 Days

Except as otherwise provided in Sections 16.1, 16.2 and 16.3 of this Agreement, upon any other default by Franchisee, Franchisor may terminate this Agreement by giving written notice of termination (in the manner set forth under Section 24 hereof) stating the nature of the default to Franchisee at least thirty (30) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of Franchisor, and by promptly providing proof thereof to Franchisor within the thirty (30) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

17. OBLIGATIONS UPON TERMINATION OR EXPIRATION

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

17.1 Stop Operating

Franchisee shall immediately cease to operate the Franchised Store, and shall not thereafter, directly or indirectly, represent to the public, media or hold itself out as a present or former operator of Franchisor in connection with the promotion or operation of any other business.

17.2 Stop Using the System

Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures, and techniques associated with the System; the Proprietary Mark “16 Handles” and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use all signs, marketing materials, displays, stationery, forms, products, and any other articles which display the Proprietary Marks.

17.3 Cancel Assumed Names

Franchisee shall take such action as may be necessary to cancel any assumed name registration or equivalent registration obtained by Franchisee which contains the mark “16 Handles” or any other Proprietary Marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

17.4 The Premises

Franchisee shall, at the option of Franchisor, assign to Franchisor any interest which Franchisee has in any lease or sublease for the Premises. In the event Franchisor does not elect to exercise its option to acquire the lease or sublease for the Premises, Franchisee shall make such modifications or alterations to the Premises immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of the Premises from that of 16 Handles Stores under the System, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose. In the event Franchisee fails or refuses to comply with the requirements of this Section 17.4, Franchisor shall have the right to enter upon the Premises, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand. Additionally, if Franchisor does not elect to exercise the option to acquire the lease/sublease, Franchisee shall comply with Section 18.3 below regarding a Competitive Business (as defined in Section 18.2.3 below).

17.5 Phone Numbers and Directory Listings

In addition, Franchisee shall cease use of all telephone numbers and any domain names, websites, e-mail addresses, and any other identifiers, whether or not authorized by Franchisor, used by Franchisee while operating the Franchised Store, and shall promptly execute such documents or take such steps necessary to remove reference to the Franchised Store from all trade or business telephone directories, including “yellow” and “white” pages, or at Franchisor’s request transfer same to Franchisor. Franchisee hereby authorizes Franchisor to instruct issuers of any telephone and internet domain name services, and other providers to transfer any such telephone numbers, domain names, websites, addresses, and any other identifiers to Franchisor upon termination of this Agreement, without need for any further approval from Franchisee. Without limiting the foregoing, if requested by Franchisor, Franchisee shall provide, during the term or upon termination of this Agreement, written confirmation of Franchisor’s rights under this Section 17.5. Franchisee agrees that it shall sign such documents and do such things (without cost to Franchisee) that may be reasonably requested by Franchisor in order to implement this Section 17.5.

17.6 No Use of Proprietary Marks or Trade Dress in Other Businesses

Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which, in the sole discretion of Franchisor, is likely to cause confusion, mistake, or deception, or which, in the sole discretion of Franchisor, is likely to dilute the rights of Franchisor in and to the Proprietary Marks. Franchisee further agrees not to utilize any designation of origin, description, or representation (including but not limited to reference to Franchisor, the System, or the Proprietary Marks) which, in the sole discretion of Franchisor, suggests or represents a present or former association or connection with Franchisor, the System, or the Proprietary Marks.

17.7 Pay Franchisor All Amounts Due

Franchisee shall promptly pay all sums owing to Franchisor and its affiliates. In the event of termination for any default of Franchisee, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees and any Gift Card Liability Amount, that is incurred by Franchisor as a result of the default and termination, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Franchisee and on the Premises at the time of default.

17.8 Return of Manual and Confidential Information

Franchisee shall, at its own expense, immediately deliver to Franchisor the Manual and all other records, computer disks, correspondence, and instructions containing confidential information relating to the operation of the Franchised Store (and any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be the property of Franchisor.

17.9 Franchisor's Option to Purchase Certain Assets

Franchisor shall have the option, to be exercised within thirty (30) days after termination, to purchase from Franchisee any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory of Franchisee related to the operation of the Franchised Store, at the lesser of Franchisee's cost or fair market value. The cost for such items shall be determined based upon a five (5) year straight-line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment's original cost. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from Franchisee.

17.10 Comply with Covenants

Franchisee and its Principals shall comply with the covenants contained in Section 18.3 of this Agreement.

18. COVENANTS

18.1 Full Time and Best Efforts

Franchisee covenants that, during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee (or, if Franchisee is not an individual, the Designated Principal) shall devote full time and best efforts to the management and operation of the Franchised Store.

18.2 During the Agreement Term

Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable, specialized training and confidential information, including information regarding the

operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity:

18.2.1 Divert or attempt to divert any present or prospective business or customer of any 16 Handles Store to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System; or

18.2.2 Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a one percent (1%) interest in (as owner or otherwise) any Competitive Business (as defined below). A “**Competitive Business**” shall be considered to be a retail business offering frozen dessert products and a manufacturer and/or distributor of frozen dessert products. Frozen dessert products can be any food products such as ice cream, yogurt, frozen yogurt, custard, smoothies and/or shakes. Furthermore, Franchisee acknowledges and agrees that Franchisee shall be considered in default under this Agreement and that this Agreement will be subject to termination as provided in Section 16.2.8 herein, in the event that a person in the immediate family (including spouse, domestic partner, parent, sibling or child) of Franchisee (or, if Franchisee is other than an individual, each Principal that is subject to these covenants) engages in a Competitive Business that would violate this Section 18.2.3 if such person was subject to the covenants of this Section 18.2.3.

18.3 After the Agreement and After a Transfer

Franchisee covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period of two (2) years commencing upon the date of: (a) a transfer permitted under Section 15 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); (d) a final order of a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 18.3; or (e) any or all of the foregoing:

18.3.1 Franchisee shall not either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business that is, or is intended to be, located at the Approved Location, within the Designated Territory, within a radius of twenty five (25) miles of any other 16 Handles Store located anywhere; provided, however, that this provision shall not apply to the operation by Franchisee of any business under the System under a franchise agreement with Franchisor;

18.3.2 Franchisee shall not sublease, assign, or sell Franchisee’s interest in any lease, sublease, or ownership of the Premises or assets of the Franchised Store to a third party for the operation of a Competitive Business, or otherwise arrange or assist in arranging for the operation by a third party of a Competitive Business; or

18.3.3 Franchisee shall not, either directly or indirectly, solicit or attempt to solicit any of the vendors, suppliers or other providers that Franchisor designated or approved for use in connection with the operation of the Franchised Store for any competitive purpose.

18.4 Exception for Ownership in Public Entities

Sections 18.2.3 and 18.3 shall not apply to ownership by Franchisee of a less than five percent (5%) beneficial interest in the outstanding equity securities of any corporation which has securities registered under the Securities Exchange Act of 1934, as amended.

18.5 Personal Covenants

At the request of Franchisor, Franchisee shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Section 18 (including covenants applicable upon the termination of a person's relationship with Franchisee) and the provisions of Sections 10 and 15 of this Agreement (as modified to apply to an individual) from any or all of the following persons: (a) the Designated Principal, (b) all managers and other personnel employed by Franchisee who have received or will receive training and/or other confidential information; (c) all officers, directors, and Principals who have or will receive training or access to confidential information, or who are or may be involved in the management and operation of the Franchised Store. Every covenant required by this Section 18.5 shall be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

18.6 Covenants as Independent Clauses

The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 18 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 18.

18.7 Franchisor's Right to Reduce Scope of the Covenants

Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section 18, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 25 hereof.

18.8 Covenants Survive Claims

Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 18; provided, however, any claims Franchisee may have against Franchisor may be brought in a separate proceeding. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 18.

19. CORPORATE, LIMITED LIABILITY COMPANY, OR PARTNERSHIP FRANCHISEE

19.1 List of Principals

If Franchisee is a corporation, limited liability company, or partnership, each Principal of Franchisee, and the interest of each Principal in Franchisee, shall be identified in Exhibit C hereto. Franchisee shall maintain a list of all Principals and immediately furnish Franchisor with an update to the information contained in Exhibit C upon any change, which shall be made only in compliance with Section 15 above.

19.2 Guaranties

Such Principals as Franchisor may request shall execute a guaranty, indemnification, and acknowledgment of Franchisee's obligations under this Agreement in the form attached hereto as Exhibit E. As set forth in Section 8.3, the Designated Principal shall at all times have at least a ten percent (10%) interest in Franchisee.

19.3 Corporations and Limited Liability Companies

If Franchisee is a corporation or limited liability company, Franchisee shall comply with the following requirements:

19.3.1 Franchisee shall be newly organized and its governing documents shall at all times provide that its activities are confined exclusively to operating the Franchised Store.

19.3.2 Franchisee shall, upon request of Franchisor, promptly furnish to Franchisor copies of Franchisee's articles of incorporation, bylaws, articles of organization, operating agreement and/or other governing documents, and any amendments thereto, including the resolution of the Board of Directors or members authorizing entry into this Agreement.

19.3.3 Franchisee shall maintain stop-transfer instructions against the transfer on its records of any equity securities; and each stock certificate or issued securities of Franchisee shall conspicuously endorse upon its face a statement, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement; provided, however, that the requirements of this Section 19.3.3 shall not apply to a publicly held corporation.

19.4 Partnerships and Limited Liability Partnerships

If Franchisee or any successor to or assignee of Franchisee is a partnership or limited liability partnership, Franchisee shall comply with the following requirements:

19.4.1 Franchisee shall be newly organized and its partnership agreement shall at all times provide that its activities are confined exclusively to operating the Franchised Store.

19.4.2 Franchisee shall furnish Franchisor with a copy of its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto.

19.4.3 The partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

20. TAXES, PERMITS, AND INDEBTEDNESS

20.1 Taxes

Franchisee shall promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Store. Franchisee shall pay to Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless the tax is credited against income tax otherwise payable by Franchisor.

20.2 Dispute About Taxes

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

20.3 Compliance with Laws

Franchisee shall comply with all federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Store, including licenses to do business, fictitious name registrations, sales tax permits, and fire clearances.

21. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

21.1 No Fiduciary Relationship

Franchisee is an independent contractor. Franchisor and Franchisee are completely separate entities and are not fiduciaries, partners, joint venturers, or agents of the other in any sense and neither shall have the power to bind the other. No act or assistance given by either party to the other pursuant to this Agreement shall be construed to alter the relationship. Franchisee shall be solely responsible for compliance with all federal, state, and local laws, rules and regulations, and for Franchisee's policies, practices, and decisions relating to the operation of the Franchised Store.

21.2 Public Notice

During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Store pursuant to a franchise agreement from Franchisor. Franchisee agrees to take such action as may be necessary to do so, including exhibiting a notice of that fact in a conspicuous place at the Premises, the content of which Franchisor reserves the right to specify.

21.3 No Assumption of Liability

Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on behalf of Franchisor, or to incur any debt or other obligation in the name of Franchisor; and Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Franchisee in its operation of the Franchised Store or for any claim or judgment arising therefrom against Franchisee or Franchisor.

21.4 Indemnification

Franchisee shall indemnify and hold Franchisor, Franchisor's owners and affiliates, and their respective officers, directors, and employees (the "**Indemnitees**") harmless against any and all causes of action, claims, losses, costs, expenses, liabilities, litigation, damages or other expenses (including, but not limited to, settlement costs and attorneys' fees) arising directly or indirectly from, as a result of, or in connection with the operation of the Franchised Store and/or Franchisee's conduct under this Agreement (notwithstanding any claims that the Indemnitees are or were negligent). Franchisee agrees that with respect to any threatened or actual litigation, proceeding or dispute which could directly or indirectly affect any of the Indemnitees, the Indemnitees shall have the right, but not the obligation, in their discretion, to: (i) choose counsel, (ii) direct, manage and/or control the handling of the matter; and (iii) settle on behalf of the Indemnitees, and/or Franchisee, any claim against the Indemnitees. All vouchers, canceled checks, receipts, receipted bills or other evidence of payments for any such losses, liabilities, costs, damages,

charges or expenses of whatsoever nature incurred by any Indemnitee shall be taken as prima facie evidence of Franchisee's obligation hereunder.

22. APPROVALS AND WAIVERS

22.1 Approval Requests

Whenever this Agreement requires the prior authorization, approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and such approval or consent must be obtained in writing.

22.2 Non-waiver

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

23. WARRANTIES OF FRANCHISEE

23.1 Reliance by Franchisor

Franchisor entered into this Agreement in reliance upon the statements and information submitted to Franchisor by Franchisee in connection with this Agreement. Franchisee represents and warrants that all such statements and information submitted by Franchisee in connection with this Agreement are true, correct and complete in all material respects. Franchisee agrees to promptly advise Franchisor of any material changes in the information or statements submitted.

23.2 Compliance with Laws

Franchisee represents and warrants to Franchisor that neither Franchisee (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

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

24. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

25. ENTIRE AGREEMENT

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

26. SEVERABILITY AND CONSTRUCTION

26.1 Severable Parts

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

26.2 Terms Surviving this Agreement

Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination or assignment of this Agreement (regardless of cause for termination), or assignment shall survive such expiration, termination.

26.3 No Rights on Third Parties

Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, officers, directors, shareholders, agents, and employees of Franchisor, and such successors and assigns of Franchisor as may be contemplated by Section 15 hereof, any rights or remedies under or by reason of this Agreement.

26.4 Full Scope of Terms

Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which Franchisor is a party, or from

reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

26.5 Franchisor's Application of its Rights

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

26.6 Captions Only for Convenience

All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

27. APPLICABLE LAW AND DISPUTE RESOLUTION

27.1 Governing Law

This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed under the laws of the State of New Jersey. In the event of any conflict of law, the laws of New Jersey shall prevail, without regard to, and without giving effect to, the application of New Jersey conflict of law rules.

27.2 Internal Dispute Resolution

Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor's management, after providing notice, and make every effort to resolve the dispute internally. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

27.3 Non-Binding Mediation

At Franchisor's option, all claims or disputes between Franchisee and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor (or its affiliates), or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 27.2 above, will first be submitted first to non-binding mediation to take place at Franchisor's headquarters in New Jersey under the auspices of the American Arbitration Association ("AAA"), in

accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and Franchisee will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 27.3 if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Franchisee's payment obligations under this Agreement.

27.4 Litigation

Subject to Sections 27.2 and 27.3 of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated in the state court of general jurisdiction closest to Closter, New Jersey or, if appropriate, the United States District Court for the District of New Jersey. Franchisee acknowledges that this Agreement has been entered into in the State of New Jersey, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in New Jersey, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of New Jersey as set forth in this Section.

27.5 No Rights Exclusive of Other Rights

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy provided herein or permitted by law or equity, but each shall be cumulative of every other right or remedy.

27.6 Waiver of Jury Trial and Waiver of Class Action

Franchisor and Franchisee irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of them against the other. The parties agree that all proceedings arising out of or related to this Agreement, or the sale of the Franchised Store, will be conducted on an individual, not a class-wide basis, and that any proceeding between Franchisee, Franchisee's guarantors and Franchisor or its affiliates/officers/employees may not be consolidated with any other proceeding between Franchisor and any other third party.

27.7 Waiver of Punitive Damages

Franchisee hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Franchisee's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue

in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent Franchisor from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the term of this Agreement if it is terminated due to Franchisee's default, which the parties agree and acknowledge Franchisor may claim under this Agreement.

27.8 Injunctive Relief

Nothing herein contained shall bar the right of Franchisor to obtain injunctive relief against threatened conduct that will cause it loss or damages, including without limitation violations of the terms of Sections 9, 10, 11, 15, and 18 under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

27.9 Attorneys' Fees and Costs

In the event Franchisor is required to engage legal counsel to enforce any terms of this Agreement against Franchisee, then Franchisee shall be responsible for reimbursing Franchisor for the costs that Franchisor incurs in connection with such engagement, including without limitation, any and all costs and reasonable attorneys' fees (and other fees for experts, etc.) that Franchisor incurs in any claim, action or proceeding: (i) that Franchisor initiates against Franchisee or, in the alternative, Franchisee initiates against Franchisor and Franchisor defends or counter-claims; and (ii) wherein Franchisor prevails.

27.10 Limitation of Action

Any and all claims and actions arising out of or relating to this Agreement, the relationship of Franchisee and Franchisor, or Franchisee's operation of the Franchised Store, brought by either party hereto against the other, whether in mediation, or a legal action, shall be commenced within two (2) years from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

28. SECURITY INTEREST

28.1 Collateral

Franchisee grants to Franchisor a security interest ("Security Interest") in all of the furniture, fixtures, equipment, signage, and realty (including Franchisee's interests under all real property and personal property leases) of the Franchised Store, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds, and products thereof, wherever located, used in connection with the Franchised Store. All items in which a security interest is granted are referred to as the "Collateral".

28.2 Indebtedness Secured

The Security Interest is to secure payment of the following (the "Indebtedness"):

28.2.1 All amounts due under this Agreement or otherwise by Franchisee;

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

28.2.3 All expenses, including reasonable attorneys' fees, which Franchisor incurs in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting Franchisor's rights under the Security Interest and this Agreement; and

28.2.4 All other present or future, direct or indirect, absolute or contingent, liabilities, obligations, and indebtedness of Franchisee to Franchisor or third parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement, whether or not Franchisee executes any extension agreement or renewal instruments.

28.2.5 Franchisor's security interest, as described herein, shall be subordinated to any financing related to Franchisee's operation of the Franchised Store, including, but not limited to, a real property mortgage and equipment leases.

28.3 Additional Documents

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

28.4 Possession of Collateral

Upon default and termination of Franchisee's rights under this Agreement, Franchisor shall have the immediate right to possession and use of the Collateral.

28.5 Franchisor's Remedies in Event of Default

Franchisee agrees that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at Franchisor's option and without notice, become due and payable immediately, and Franchisor shall then have the rights, options, duties, and remedies of a secured party under, and Franchisee shall have the rights and duties of a debtor under, the Uniform Commercial Code of New Jersey (or other applicable law), including, without limitation, Franchisor's right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted by Franchisor in a commercially reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to Franchisee pursuant to the notice provisions set forth above.

28.6 Special Filing as a Financing Statement

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

29. FRANCHISEE'S ACKNOWLEDGMENTS AND REPRESENTATIONS

29.1 Franchisee's Acknowledgments

Franchisee represents and warrants to Franchisor, with the intention that Franchisor is relying thereon in entering into this Agreement, that:

29.1.1 If Franchisee is a corporation, limited liability company, general partnership, partnership, or limited partnership, then Franchisee is organized under the laws of the state of its principal

place of business (or another state which Franchisee has identified to Franchisor) and is in good standing with and qualified to do business in each state and political/governmental subdivision having jurisdiction over the Franchised Store.

29.1.2 If Franchisee is a corporation, limited liability company, general partnership, partnership, or limited partnership, Franchisee has all corporate power and authority to execute, deliver, consummate and perform this Agreement, and it will be binding upon Franchisee and its successors and assigns when executed.

29.1.3 Franchisee does not have any material liabilities, adverse claims, commitments or obligations of any nature as of the date of execution of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise which are not reflected as liabilities on the balance sheets of Franchisee's current financial statements, which Franchisee has furnished to Franchisor before the execution of this Agreement.

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

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

29.1.6 All of Franchisee's representations and warranties contained in this Agreement are complete, correct and accurate as of the date of execution of this Agreement and will survive any termination or expiration of this Agreement.

29.2 Franchisee's Representations

Franchisee acknowledges, warrants and represents to Franchisor and Franchisor relies on such acknowledgments, warranties and representations that:

29.2.1 No representation has been made by Franchisor (or any of Franchisor's employees, agents, brokers or salespersons) and relied on by Franchisee as to the future or past income, expenses, sales volume or potential profitability, earnings or income of the Franchised Store, or any other 16 Handles Store, whether owned by Franchisor, its affiliates or its franchisees. Franchisor makes no guaranties, promises, representations, statements or warranties that Franchisee can or will achieve any level or range of sales, income or other measures of performance.

Initials

29.2.2 No representation or statement has been made by Franchisor (or any of Franchisor's employees, brokers, agents or salespersons) and relied on by Franchisee regarding

Franchisee's anticipated income, earnings and growth or that of Franchisor or the 16 Handles System, or the viability of the business opportunity being offered under this Agreement.

Initials

29.2.3 Before executing this Agreement, Franchisee has had the opportunity to contact any and all of Franchisor's existing franchisees.

Initials

29.2.4 Franchisee has had the opportunity to independently investigate, analyze and construe both the business opportunity being offered under this Agreement, and the terms and provisions of this Agreement, using the services of legal counsel, accountants or other advisers (if Franchisee so elects) of its choosing. Franchisee has been advised to consult with Franchisee's advisors with respect to the legal, financial and other aspects of this Agreement, the Store, and the prospects for the Franchised Store. Franchisee has either consulted with these advisors or has deliberately declined to do so.

Initials

29.2.5 Franchisee has received from Franchisor a copy of Franchisor's Franchise Disclosure Document, together with a copy of all proposed agreements relating to the sale of the franchise at least fourteen (14) calendar days before the execution of this Agreement or at least fourteen (14) calendar days before the payment by Franchisee to Franchisor of any consideration in connection with the sale or proposed sale of the franchise granted by this Agreement.

Initials

29.2.6 No representation or statement has been made by Franchisor (or any of Franchisor's employees, brokers, agents or salespersons) and relied on by Franchisee regarding Franchisee's ability to procure any required license or permit that may be necessary to the operation of the Franchised Store.

Initials

29.2.7 Franchisee affirms that all information set forth in all applications, financial statements and submissions to Franchisor are true, complete and accurate in all respects, and Franchisee expressly acknowledges that Franchisor is relying on the truthfulness, completeness and accuracy of this information.

Initials

29.2.8 Attached hereto as Exhibit K is a Franchisee Disclosure Acknowledgment Statement. Franchisee shall have received and answer the questions thereon, relating to representations that

have or have not been made to Franchisee. Franchisee has executed the Statement voluntarily and attached it hereto.

Initials

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

Initials

29.2.10 Although Franchisor retains the right to establish and periodically modify System standards, which Franchisee has agreed to maintain in the operation of the Franchised Store, Franchisee retains the right and sole responsibility for the day-to-day management and operation of the Franchised Store and the implementation and maintenance of System standards at the Franchised Store.

Initials

29.2.11 Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

Initials

29.2.12 Franchisee acknowledges that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon Franchisee's ability as an independent businessperson, his/her active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. Franchisor does not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.

Initials

***THE REST OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK
SIGNATURES ON THE FOLLOWING PAGES***

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement in duplicate on the date first above written.

YO FRESH INC.

Franchisor

Franchisee

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Address for Notices:

Address for Notices:

Yo Fresh Inc.

95 Christopher Columbus Drive, 16th Floor
Jersey City, NJ 07302
Attn: Solomon Choi
Telephone: (551) 222-6043

Telephone: _____
Fax: _____
Attn: _____

With copy to:

Lane Fisher, Esq.
Fisher Zucker LLC
21 South 21st Street
Philadelphia, Pennsylvania 19103
Telephone: (215) 825-3100
Fax: (215) 825-3101

YO FRESH INC.
FRANCHISE AGREEMENT
EXHIBIT A
DATA SHEET

1. The Approved Location for the Franchised Store shall be _____
_____ (See Section 1.2).

2. The Designated Territory shall be (subject to the terms of the Agreement, including but not limited to Section 1.4 of the Agreement) as follows, and which Designated Territory is reflected on the map attached to this Exhibit A:

3. Franchise Fee. The initial franchise fee shall be \$_____ (See Section 4.1). The initial franchise fee is determined and payable as follows (*check the appropriate set of boxes*):

☐ If this Agreement is the first agreement executed by Franchisee and Franchisor relating to the Franchised Store (i.e., an Area Development Agreement relating to the Franchised Store was not signed):

☐ \$30,000 paid upon execution of this Agreement if Franchisee was **not an existing franchisee** under the System prior to executing this Agreement; or

☐ \$25,000 paid upon execution of this Agreement if Franchisee was **an existing franchisee** under the System prior to executing this Agreement and this Agreement is for Franchisee's second (2nd) Franchised Store; or

☐ \$20,000.00, paid upon execution of this Agreement, if Franchisee was **an existing franchisee** under the System prior to executing this Agreement and this Agreement is for Franchisee's third (3rd) or later Franchised Store.

☐ If this Agreement is executed pursuant to Franchisee's development rights under an Area Development Agreement entered into by the parties, then Franchisee is not required to pay any Franchise Fee at the time this Agreement is executed, provided the appropriate Area Development Fee due under the Area Development Agreement has been paid in full by Franchisee.

Initial: _____
Franchisee

Date: _____

Initial: _____
YO FRESH INC.

Date: _____

YO FRESH INC.
FRANCHISE AGREEMENT
EXHIBIT B
ADA CERTIFICATION

Yo Franchise Inc. (“**Franchisor**”) and _____ (“**Franchisee**”) are parties to a franchise agreement dated _____ for the operation of a 16 Handles Store at _____ (the “**Franchised Store**”). In accordance with Section 5.5 of the Franchise Agreement, Franchisee certifies to Franchisor that, to the best of Franchisee’s knowledge, the Franchised Store and its adjacent areas comply with all applicable federal, state and local accessibility laws, statutes, codes, rules, regulations and standards, including but not limited to the Americans with Disabilities Act. Franchisee acknowledges that it is an independent contractor and the requirement of this certification by Franchisee does not constitute ownership, control, leasing or operation of the Franchised Store. Franchisee acknowledges that Franchisor has relied on the information contained in this certification. Furthermore, Franchisee acknowledge its obligation under this Franchise Agreement to indemnify Franchisor and the officers, directors, and employees of Franchisor in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with Franchisee’s compliance with the Americans with Disabilities Act, as well as the costs, including attorneys’ fees, related to the same.

Franchisee _____

By: _____

Name: _____

Title: _____

**YO FRESH INC.
FRANCHISE AGREEMENT
EXHIBIT C
LIST OF PRINCIPALS AND DESIGNATED PRINCIPAL**

The following identifies all of Franchisee's Principals (as defined in Section 6.1 of the Franchise Agreement):

Name of Principal	Address	Interest (%) with description
		Total: 100%

FRANCHISEE'S DESIGNATED PRINCIPAL

The following identifies Franchisee's Designated Principal (as defined in Section 8.3 of the Franchise Agreement):

Name and Title	Address, telephone number, and e-mail address	Interest (%) (with description) if any

YO FRESH INC.
FRANCHISE AGREEMENT
EXHIBIT D
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS

(Name of Person or Legal Entity)
(ID Number)

The undersigned depositor (“**Depositor**”) hereby authorizes Yo Fresh Inc. (“**Franchisor**”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below and the depository designated below (“**Depository**”) (“**Bank**”) to debit or credit such account(s) pursuant to Franchisor’s instructions.

_____ Depository	_____ Branch	
_____ City	_____ State	_____ Zip Code
_____ Bank Transit/ABA Number	_____ Account Number	

This authorization is to remain in full and force and effect until sixty (60) days after Franchisor has received written notification from Franchisee of its termination.

Depositor

By:_____

Name:_____

Title:_____

Date:_____

YO FRESH INC.
FRANCHISE AGREEMENT
EXHIBIT E
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to Yo Fresh Inc. (“**Franchisor**”) to enter the Yo Fresh Inc. Franchise Agreement between Franchisor and _____ (“**Franchisee**”), dated _____, 20__ (the “**Agreement**”), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and Franchisor’s successors and assigns that all of Franchisee’s monetary obligations under the Agreement will be punctually paid and performed and that all monetary obligations will be punctually paid and performed.

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

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

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants contained in Sections 11, 15, 17, and 18 of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the “16 Handles” marks or system licensed to Franchisee under the Agreement.

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

Guarantor represents and warrants to Franchisor that neither Guarantor (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

Any and all notices required or permitted under this guarantee provision shall be in writing and shall be personally delivered, in the manner provided under Section 24 of this Agreement.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 27 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of New Jersey. In the event of any conflict of law, the laws of the State of New Jersey shall prevail (without regard to, and without giving effect to, the application of New Jersey conflict of law rules).

IN WITNESS WHEREOF, the undersigned has signed this guarantee provision as of the date of this Agreement.

GUARANTOR(S)

YO FRESH INC.
FRANCHISE AGREEMENT
EXHIBIT F - 1
CONFIDENTIALITY AND NON-COMPETE AGREEMENT
FOR FRANCHISEE'S PRINCIPALS AND EXECUTIVES

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("Agreement") is made this ____ day of _____, 20____, by and between _____ ("us" "we" "our" or the "**Franchisee**"), and _____, who is a Principal, member, partner, or officer of Franchisee ("**you**" or the "**Member**").

Introduction

Yo Fresh Inc. (the "**Franchisor**") and its affiliates developed and own a format and system (the "**System**") for establishing, operating, and licensing retail stores offering frozen yogurt and toppings in a self-serve environment. These businesses use Franchisor's trade dress, System, and operate under the name "16 Handles" and marks (each is referred to as a "**16 Handles Store**").

Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a 16 Handles Store (the "**Franchised Store**") under the terms and conditions of the Franchise Agreement.

In connection with your ownership and position with Franchisee, you will be will be trained by us and/or you will learn of Franchisor's confidential information and know-how concerning the methods of operation of a 16 Handles Store and the System.

Now, therefore, it is agreed that as a consideration your relationship with Franchisee and the rights granted to Franchisee under the Franchise Agreement, you acknowledge and agree that you will comply with all of the following obligations:

1. Confidential Information. You agree that you will not, at any time (whether during or after the term of the Franchise Agreement or the time of your relationship with Franchisee), communicate or divulge Confidential Information to any Person, and that you will not use Confidential Information for your own benefit or for the benefit of any other Person.

2. Definitions. As used in this Agreement, the following terms are agreed to have the following meanings:

a. The term "**Confidential Information**" means any information, knowledge, or know-how concerning the methods of operation of the Franchised Store and the System that may you may learn of or that otherwise becomes known to you during the term of the Franchise Agreement or the time of your relationship with Franchisee (whether or not Franchisor or we have specifically designated that information as "confidential"). Confidential Information may include, among other things, operational, sales, promotional, marketing, and administrative methods, procedures, and techniques. However, Confidential Information does not include information that you can show came to your attention before it was disclosed to you by us or Franchisor; and Confidential Information also does not include information that, at or after the time when we or Franchisor disclosed it to you, is a part of the public domain through no act on your part or through publication or communication by other Persons who are lawfully entitled to publish or communicate that information.

b. The term “**Person**” means any person, persons, partnership, entity, association, or corporation (other than the Franchisor or Franchisee).

c. The term “**Post-Term Period**” means a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 15 of the Franchise Agreement; (b) expiration or termination of the Franchise Agreement (regardless of the cause for termination); (c) termination of your relationship with Franchisee for any reason; and/or (d) a final order of a court of competent jurisdiction enforcing of this Agreement.

3. Covenants Not to Compete.

a. You understand and acknowledge that due to your relationship with us, you will receive valuable specialized training and access to Confidential Information.

b. You covenant and agree that during the term of the Franchise Agreement, unless Franchisor gives you prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person:

i. Divert or attempt to divert any current or potential business account or customer of the Franchised Store (or of any 16 Handles Store) to any Person, whether by direct or indirect suggestion, referral, inducement, or otherwise;

ii. Do or perform, directly or indirectly, any act that might injure or be harmful to the goodwill associated with Franchisor and the System;

iii. Employ or seek to employ any individual who is then employed by us, Franchisor, or employed by any of Franchisor’s franchisees, licensees, developers, or to otherwise directly or indirectly induce any such individual to leave his or her employment; and/or

iv. Directly or indirectly for yourself or on behalf of, or in conjunction with any Person, own, maintain, operate, engage in, or have any interest in any business that is the same as or similar to the Franchised Store.

c. You covenant and agree that during the term Post-Term Period, unless Franchisor gives you its prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person:

i. Own, maintain, operate, engage in, or have any interest in any business that is the same as or similar to the Franchised Store, if that business is located (or if it is intended to be located) within the Designated Territory or within a radius of twenty-five (25) miles of any other 16 Handles Store located anywhere; and/or

ii. Employ or seek to employ any individual who is then employed by us, Franchisor, or employed by any of Franchisor’s franchisees, licensees, developers, or to otherwise directly or indirectly induce any such individual to leave his or her employment.

4. **Legal and Equitable Remedies.** You understand, acknowledge, and agree that if you do not comply with the requirements of this Agreement, you will cause irreparable injury to Franchisor, and that:

a. We will have the right to enforce this Agreement and any of its provisions by going to a court and obtaining an injunction, specific performance, or other equitable relief, without prejudice to any other rights and remedies that we may have for breach of this Agreement;

b. You will not raise wrongful termination or other defenses to the enforcement of this Agreement (although you will have the right to raise those issues in a separate legal action); and

c. You must reimburse Franchisor for any court costs and reasonable attorney's fees that Franchisor incurs as a result of your violation of this Agreement and having to go to court to seek enforcement.

5. **Severability.** Each of the provisions of this Agreement may be considered severable from the others. If a court should find that we or Franchisor may not enforce a clause in this Agreement as written, but the court would allow us or Franchisor to enforce that clause in a way that is less burdensome to you, then you agree that you will comply with the court's less-restrictive interpretation of that clause.

6. **Delay.** No delay or failure by us or Franchisor to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that right or any other right set out in this Agreement. No waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

7. **Third-Party Beneficiary.** You acknowledge and agree that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

IN WITNESS WHEREOF, Member has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this ____ day of _____, 20____.

MEMBER

Signature: _____

Printed Name: _____

YO FRESH INC.
FRANCHISE AGREEMENT
EXHIBIT F - 2
CONFIDENTIALITY AND NON-COMPETE
FOR FRANCHISEE'S EMPLOYEES

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("Agreement") is made this ____ day of _____, 20____, by and between _____ ("us" "we" "our" or the "**Franchisee**"), and _____, an employee of Franchisee ("**you**" or the "**Employee**").

Introduction

Yo Fresh Inc. (the "**Franchisor**") and its affiliates developed and own a format and system (the "**System**") for establishing, operating, and licensing retail stores offering frozen yogurt and toppings in a self-serve environment. These businesses use Franchisor's trade dress, System, and operate under the name "16 Handles" and marks (each is referred to as a "**16 Handles Store**").

Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a 16 Handles Store (the "**Franchised Store**") under the terms and conditions of the Franchise Agreement.

In connection with starting or continuing your employment with Franchisee, you will be trained by us and you will learn of Franchisor's confidential information and know-how concerning the methods of operation of a 16 Handles Store and the System.

Now, therefore, it is agreed that as a consideration of starting or continuing your employment, as a condition to your employment and the compensation that we have paid to you (and/or will pay you after today), you acknowledge and agree that you will comply with all of the following obligations:

1. Confidential Information. You agree that you will not, at any time (whether during or after your time of employment with us), communicate or divulge Confidential Information to any Person, and that you will not use Confidential Information for your own benefit or for the benefit of any other Person.

2. Definitions. As used in this Agreement, the following terms are agreed to have the following meanings:

a. The term "**Confidential Information**" means any information, knowledge, or know-how concerning the methods of operation of the Franchised Store and the System that may you may learn of or that otherwise becomes known to you during the time of your employment with us (whether or not the Franchisor or we have specifically designated that information as "confidential"). Confidential Information may include, among other things, operational, sales, promotional, marketing, and administrative methods, procedures, and techniques. However, Confidential Information does not include information that you can show came to your attention before it was disclosed to you by us or Franchisor; and Confidential Information also does not include information that, at or after the time when we disclosed it to you, is a part of the public domain through no act on your part or through publication or communication by other Persons who are lawfully entitled to publish or communicate that information.

b. The term “**Person**” means any person, persons, partnership, entity, association, or corporation (other than the Company or Franchisor).

c. The term “**Post-Term Period**” means a continuous uninterrupted period of (check as applicable) ☐ one (1) year if you are a manager or perform managerial responsibilities, or ☐ six (6) months a non-managerial employee from the date of: (a) termination of your employment with us for any reason; and/or (b) a final order of a court of competent jurisdiction enforcing of this Agreement.

3. Covenants Not to Compete.

a. You understand and acknowledge that due to your employment with us, you will receive valuable specialized training and access to Confidential Information.

b. You covenant and agree that during the term of your employment, unless Franchisor gives you its prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person:

i. Divert or attempt to divert any current or potential business account or customer of the Franchised Store (or of any 16 Handles Store) to any Person, whether by direct or indirect suggestion, referral, inducement, or otherwise;

ii. Do or perform, directly or indirectly, any act that might injure or be harmful to the goodwill associated with Franchisor and the System;

iii. Employ or seek to employ any individual who is then employed by us, or employed by Franchisor or any of Franchisor’s franchisees, licensees, developers, or to otherwise directly or indirectly induce any such individual to leave his or her employment; and/or

iv. Directly or indirectly for yourself or on behalf of, or in conjunction with any Person, own, maintain, operate, engage in, or have any interest in any business that is the same as or similar to the Franchised Store.

c. You covenant and agree that during the term Post-Term Period, unless Franchisor gives you its prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person:

i. Own, maintain, operate, engage in, or have any interest in any business that is the same as or similar to the Franchised Store, if that business is located (or if it is intended to be located) within the Designated Territory or within a radius of twenty-five (25) miles of any other 16 Handles Store located anywhere at that time; and/or

ii. Employ or seek to employ any individual who is then employed by us, Franchisor, or by any of Franchisor’s franchisees, licensees, developers, or to otherwise directly or indirectly induce any such individual to leave his or her employment.

4. Legal and Equitable Remedies. You understand, acknowledge, and agree that if you do not comply with the requirements of this Agreement, you will cause irreparable injury to Franchisor, and that:

a. We will have the right to enforce this Agreement and any of its provisions by going to a court and obtaining an injunction, specific performance, or other equitable relief, without prejudice to any other rights and remedies that we may have for breach of this Agreement;

b. You will not raise wrongful termination or other defenses to the enforcement of this Agreement (although you will have the right to raise those issues in a separate legal action); and

c. You must reimburse Franchisor for any court costs and reasonable attorney's fees that Franchisor incurs as a result of your violation of this Agreement and having to go to court to seek enforcement.

5. **Severability.** Each of the provisions of this Agreement may be considered severable from the others. If a court should find that we or Franchisor may not enforce a clause in this Agreement as written, but the court would allow us or Franchisor to enforce that clause in a way that is less burdensome to you, then you agree that you will comply with the court's less-restrictive interpretation of that clause.

6. **Delay.** No delay or failure by us or Franchisor to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that right or any other right set out in this Agreement. No waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

7. **Third-Party Beneficiary.** You acknowledge and agree that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with us.

IN WITNESS WHEREOF, Employee has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this ____ day of _____, 20__.

EMPLOYEE

Signature: _____

Printed Name: _____

YO FRESH INC.
FRANCHISE AGREEMENT
EXHIBIT G-1
LEASE TERMS

In accordance with Section 5.2 of this Franchise Agreement, Franchisee's lease or sublease for the premises of the Franchised Store shall contain terms acceptable to Franchisor, which may include (but are not limited to) the following:

1. The initial term of the lease, or initial term together with renewal terms, will be for not fewer than seven (7) years.

2. A provision stating that the lessor consents to Franchisee's use and display of the Proprietary Marks and signage as Franchisor may prescribe from time to time for the Franchised Store, subject only to the provisions of applicable law.

3. A provision that Franchisee shall have the right to alter, renovate, add, remodel, modify, and/or change the premises and/or other improvements upon the premises as Franchisee may deem desirable, provided that if any such alterations, renovations, additions, modifications, remodeling and/or changes to the premises and/or improvements upon the premises affect the exterior, structural elements or foundation of the premises, Franchisee shall first obtain the consent of the lessor, which consent shall not be unreasonably withheld, conditioned or delayed.

4. A provision that the premises be used solely for the operation of a franchised 16 Handles Store, which is currently a retail store offering frozen yogurt and toppings in a self-serve environment, and promotional items such as shirts, hats and other items displaying the "16 Handles" logo, all as may be permitted under the relevant franchise agreement signed for the Franchised Store.

5. A provision that requires the lessor to concurrently provide Franchisor with a copy of any written notice of deficiency under the lease sent to Franchisee, and that the lessor will provide Franchisor with written notice specifying deficiencies that Franchisee did not cure.

6. A provision that grants to Franchisor, in its sole discretion, the right (but not the obligation) to cure any deficiency under the lease within thirty (30) days after the expiration of the period in which Franchisee had to cure any such default should Franchisee fail to do so.

7. A provision acknowledging that, in the event the Franchise Agreement for the Franchised Store expires or is terminated: (a) Franchisee is obligated under the Franchise Agreement to take certain steps to de-identify the location as a 16 Handles Store operated by Franchisee; and (b) the lessor will cooperate fully with Franchisor in enforcing such provisions of the Franchise Agreement against the Franchisee, including allowing Franchisor, its employees and agents to enter and remove signs, décor and materials bearing or displaying any Proprietary Marks, designs or logos of Franchisor, provided that the lessor shall not be required to bear any expense thereof.

8. A provision that expressly states that any default under the lease shall constitute a default under the Franchise Agreement, and that the termination of the Franchise Agreement shall constitute a default under the lease.

9. A provision reserving to Franchisor the right, at Franchisor's election, to receive an assignment of the leasehold interest upon termination or expiration of the franchise grant.

10. A provision that expressly requires that, if requested by Franchisor, the lessor of the premises will provide Franchisor all sales and other information the lessor may have related to the operation of the Franchised Store.

11. Franchisee is restricted from accepting any requirement under the lease that seeks to impose any restrictions (territorial or otherwise) on the development or operation of other 16 Handles Stores by Franchisee, Franchisor, or any other person or entity.

12. A provision that the lessor agrees that Franchisee may not assign the lease or sublease all or any part of its occupancy rights thereunder without Franchisor's prior written consent.

13. A provision that the lessor's consent to an assignment of the lease or subletting of the Premises will not be required in connection with an assignment or subletting Franchisor, or any parent, subsidiary or affiliated corporation of Franchisor or Franchisee, or another operator that has been approved by Franchisor to be the franchisee for the Franchised Store.

14. A provision that prohibits the lessor from selling or leasing, or allowing the sublease of, space in the building or on the property to any person or entity for a retail food business that will consist predominantly of frozen dessert items. Additionally, the lessor shall not sell and shall prohibit any other tenant or subtenant in the building, or on the property, from engaging in activities predominantly related to the sale of frozen dessert items. In the event lessor does not comply with these restrictions, Franchisor will have the right to seek an injunction prohibiting the occupancy by the new competing business or against the existing tenant as the case may be.

YO FRESH INC.
FRANCHISE AGREEMENT
EXHIBIT G-2
COLLATERAL ASSIGNMENT OF LEASE

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

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

Upon Assignor’s default under the Lease or under the “Franchise Agreement” for a “16 Handles” Store between Assignee and Assignor or in the event Assignor defaults under any document or instrument securing the Franchise Agreement Assignee has the right to take possession of the premises the Lease demises and expel Assignor from the premises. In that event Assignor will have no further right and title to or interest in the Lease but will remain liable to Assignee for any past due rental payments or other charges Assignee is required to pay Lessor to effectuate the assignment this document contemplates.

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

ASSIGNEE:

YO FRESH INC.

By: _____
Name: _____
Title: _____
Date: _____

ASSIGNOR:

By: _____
Name: _____
Title: _____
Date: _____

CONSENT TO COLLATERAL ASSIGNMENT AND AGREEMENT OF LESSOR

The undersigned Lessor under the Lease:

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

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

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

(d) Agrees that Assignee may further assign the Lease to or enter into a sublease with a person, firm or corporation who agrees to assume the tenant's obligations under the Lease and is reasonably acceptable to Lessor and that upon that assignment Assignee will have no further liability or obligation under the Lease as assignee, tenant or otherwise, other than to certify that the additional assignee or sublessee operates the premises the Lease demises as a 16 Handles Store.

Dated:_____

_____, Lessor

YO FRESH INC.
FRANCHISE AGREEMENT
EXHIBIT H
TRANSFER OF FRANCHISE TO A
CORPORATION OR LIMITED LIABILITY COMPANY

The undersigned, an Officer, Director and Owner of a majority of the issued and outstanding voting stock of the corporation set forth below, or Members of the issued and outstanding Interests of the Limited Liability Company set forth below and the Franchisee of the 16 Handles Store under a Franchise Agreement executed on the date set forth below, between himself or herself and Yo Fresh Inc., as Franchisor, granting him/her a franchise to operate at the location set forth below, and the other undersigned Directors, Officers and Shareholders of the Corporation, or the Members of the Limited Liability Company, who together with Franchisee constitute all of the Shareholders of the Corporation, or the Members of the Limited Liability Company, in order to induce Franchisor to consent to the assignment of the Franchise Agreement to the Corporation, or Limited Liability Company in accordance with the provisions of Section 15.11 of the Franchise Agreement, agree as follows:

1. The undersigned Franchisee shall remain personally liable in all respects under the Franchise Agreement and all the other undersigned Officers, Directors and Shareholders of the Corporation, or the Members of the Limited Liability Company, intending to be legally bound hereby, agree jointly and severally to be personally bound by the provisions of the Franchise Agreement including the restrictive covenants contained in Article 18 thereof, to the same extent as if each of them were the Franchisee set forth in the Franchise Agreement and they jointly and severally personally guarantee all of the Franchisee's obligations set forth in said Agreement.

2. The undersigned agree not to transfer any stock in the Corporation, or any interest in the Limited Liability Company without the prior written approval of the Franchisee and agree that all stock certificates representing shares in the Corporation, or all certificates representing interests in the Limited Liability Company shall bear the following legend:

“The shares of stock represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated _____, 20__ between _____ and Yo Fresh Inc.”

or

“The ownership interests represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated _____, 20__ between _____ and Yo Fresh Inc.”

3. _____ or his designee shall devote his best efforts to the day-to-day operation and development of the Franchised Store.

4. _____ hereby agrees to become a party to and to be bound by all of the provisions of the Franchise Agreement executed on the date set forth below between Franchisee and Yo Fresh Inc., to the same extent as if it were named as the Franchisee herein.

Date of Franchise Agreement: _____

Location of Franchised Store: _____

WITNESS:

As to Paragraph 3:

[Name]

As to Paragraph 4:

[Name]

ATTEST:

Name of Corp. or Limited Liability Company

By: _____ (SEAL)
Title: _____

In consideration of the execution of the above Agreement, Yo Fresh Inc. hereby consents to the above referred to assignment on this _____ day of _____, 20__.

YO FRESH INC.

By: _____
Title: _____

YO FRESH INC.
FRANCHISE AGREEMENT
EXHIBIT I
POWER OF ATTORNEY (TELEPHONE)

Telephone Nos.

IRREVOCABLE POWER OF ATTORNEY

STATE OF _____)
)
COUNTY OF _____)

KNOW ALL MEN BY THESE PRESENTS

That _____ (“Franchisee”) does hereby irrevocably constitute and appoint Yo Fresh Inc., a corporation (“Franchisor”), true and lawful attorney-in-fact and agent for Franchisee and in Franchisee’s name, place and stead, to do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept, record and file all such agreements, certificates, instruments and documents as, in the sole discretion of Franchisor, shall be necessary or advisable for the sole purpose of assigning to Franchisor all of Franchisee’s right, title and interest in and to any and all telephone numbers of Franchisee’s franchise and all related Yellow Pages, White Pages and other business listings, including, but not limited to, the execution and delivery of any Transfer of Service Agreement and any other transfer documentation required by the applicable telephone service company providing telephone services to Franchisee, hereby granting unto Franchisor full power and authority to do and perform any and all acts and things which, in the sole discretion of Franchisor, are necessary or advisable to be done as fully to all intents and purposes as Franchisee might or could itself do, hereby ratifying and confirming all that Franchisor may lawfully do or cause to be done by virtue of this Power of Attorney and the powers herein granted.

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

This Power of Attorney shall terminate two (2) years following the expiration or termination of that certain Franchise Agreement dated as of _____, 20__ by and between Franchisor and Franchisee. Such termination, however, shall not affect the validity of any act or deed that Franchisor may have effected prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable power of attorney coupled with an interest. It is executed and delivered in the State of _____ and the laws of the State of _____ shall govern all questions as to the validity of this Power of Attorney and the construction of its provisions.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney as of the _____ day of _____, 20__.

FRANCHISEE:

By: _____

Name: _____

Title: _____

STATE OF _____)

)

COUNTY OF _____)

BEFORE ME, the undersigned authority, on this day personally appeared _____, _____ of _____, known to me to be the person whose name is subscribed to the foregoing instrument, who acknowledged to me that s/he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 20__.

(SEAL)

Notary Public in and for
The State of _____

My commission expires:

YO FRESH INC.
FRANCHISE AGREEMENT
EXHIBIT J
POWER OF ATTORNEY (TAXES)

Taxes

IRREVOCABLE POWER OF ATTORNEY

STATE OF _____)
)
COUNTY OF _____)

KNOW ALL MEN BY THESE PRESENTS

That _____, a _____ (“Franchisee”), does hereby irrevocably constitute and appoint Yo Fresh Inc., a corporation (“Franchisor”), true and lawful attorney-in-fact and agent for Franchisee and in Franchisee’s name, place and stead to do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept, record and file all such agreements, certificates, instruments and documents as, in the sole discretion of Franchisor, shall be necessary or advisable for the sole purpose of obtaining any and all returns, records, reports and other documentation relating to the payment of taxes filed by Franchisee with any state and/or federal taxing authority, including, but not limited to, the State Comptroller of the State of _____, hereby granting unto Franchisor full power and authority to do and perform any and all acts and things which, in the sole discretion of Franchisor, are necessary or advisable to be done as fully to all intents and purposes as Franchisee might or could itself do, hereby ratifying and confirming all that Franchisor may lawfully do or cause to be done by virtue of this Power of Attorney and the powers herein granted.

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

This Power of Attorney shall terminate two (2) years following the expiration or termination of that certain Franchise Agreement dated as of _____, 20__ by and between Franchisor and Franchisee. Such termination, however, shall not affect the validity of any act or deed that Franchisor may have effected prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable power of attorney coupled with an interest. It is executed and delivered in the State of _____ and the laws of the State of _____ shall govern all questions as to the validity of this Power of Attorney and the construction of its provisions.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney as of the _____ day of _____, 20__.

FRANCHISEE:

By: _____

Name: _____

Title: _____

STATE OF _____)

)

COUNTY OF _____)

BEFORE ME, the undersigned authority, on this day personally appeared _____, _____ of _____, known to me to be the person whose name is subscribed to the foregoing instrument, who acknowledged to me that s/he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 20__.

(SEAL)

Notary Public in and for

The State of _____

My commission expires:

YO FRESH INC.
FRANCHISE AGREEMENT
EXHIBIT K
FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

As you know, Yo Fresh Inc. (the “**Franchisor**”) and you are preparing to enter into a franchise agreement (the “**Franchise Agreement**”) for the establishment and operation of a 16 Handles Store (“**Store**”). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor (“**Broker**”) that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Store from an existing Franchisee, you may have received information from the transferring Franchisee, who are not employees or representatives of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Store from an existing Franchisee?

Yes _____ No _____

2. I had my first face-to-face meeting with a Franchisor representative on _____, 20____.

3. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

4. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

5. Have you received and personally reviewed the Franchisor's Disclosure Document that was provided to you?

Yes _____ No _____

6. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes _____ No _____

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary.)

8. Have you discussed the benefits and risks of establishing and operating a Store with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your Store will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes _____ No _____

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Store operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Store will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Store that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

14. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Store?

Yes _____ No _____

15. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or franchise agreement?

Yes _____ No _____

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? _____

If you have answered No to question 9, or Yes to any one of questions 10-17, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 9, and No to each of questions 10-17, please leave the following lines blank.

I signed the Franchise Agreement and Addendum (if any) on _____, 20____, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

- (i) a person or entity listed in the Annex to the Executive Order;
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or
- (iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Acknowledged this ____ day of _____, 20____.

Sign here if you are taking the franchise as an

INDIVIDUAL

Signature

Print Name_____

Signature

Print Name_____

Signature

Print Name_____

Signature

Print Name_____

Sign here if you are taking the franchise as a

**CORPORATION, LIMITED LIABILITY
COMPANY OR PARTNERSHIP**

Print Name of Legal Entity

By:_____
Signature

Print Name_____

Title_____

EXHIBIT C TO THE DISCLOSURE DOCUMENT
AREA DEVELOPMENT AGREEMENT

YO FRESH INC.

AREA DEVELOPMENT AGREEMENT

Area Developer Name

Development Area

Date

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EXHIBITS:

- A – Development Schedule, Area and Fee
- B – Developer’s Principals List and Designated Principal
- C – Franchise Agreement
- D – Guarantee, Indemnification, and Acknowledgment
- E – Lease Terms

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the “**Agreement**”) is made and entered into on this _____ day of _____, 20____ (the “**Effective Date**”), by and between:

- ◆ Yo Fresh Inc., a corporation whose principal place of business is 95 Christopher Columbus Drive, 16th Floor, Jersey City, NJ 07302 (“**Franchisor**”); and
- ◆ _____ a [resident of]
[corporation organized in] [limited liability company organized in] [select one], having offices at _____

_____ (“**Area Developer**”).

BACKGROUND

A. Franchisor and its affiliate own a format and system (the “**System**”) relating to the establishment and operation of retail stores which operate at locations that display Franchisor’s interior and exterior trade dress and feature and operate under the Proprietary Marks (as defined below) (each a “**16 Handles Store**” or “**Franchised Store**”). 16 Handles Stores are designed using Franchisor’s interior trade dress to be welcoming and comfortable for customers, and offer frozen yogurt and toppings in a self-serve environment, under the name and mark “16 Handles”. A 16 Handles Store operates using Franchisor’s proprietary recipes, formulae and techniques (“**Proprietary Products**”), as well as other non-proprietary food, beverage, and other compatible items designated by Franchisor from time to time (collectively, “**Products**”).

B. The distinguishing characteristics of the System include distinctive exterior and interior design, decor, color schemes, fixtures, and furnishings; recipes, standards and specifications for products, equipment, materials, and supplies; uniform standards, specifications, and procedures for operations; purchasing and sourcing procedures; procedures for inventory and management control; training and assistance; and marketing and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

C. The System is identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System including the mark “16 Handles” and other marks (the “**Proprietary Marks**”). The Proprietary Marks are owned by Yogurt City Inc. and it has licensed them to Franchisor so that Franchisor may sub-license them to its franchisees.

D. Area Developer desires to obtain certain development rights to open and operate 16 Handles Stores under the System and the Proprietary Marks, as well as to receive other assistance provided by Franchisor in connection therewith.

NOW THEREFORE, the parties agree as follows:

1. GRANT

1.1 Grant and Acceptance

Franchisor grants development rights to Area Developer, and Area Developer undertakes the obligation, pursuant to the terms and conditions of this Agreement, to develop no less than the number of 16 Handles Stores as set forth in Section 1 of Exhibit A to this Agreement. In this regard, the parties further agree that:

1.1.1 Each Franchised Store developed hereunder shall be operated pursuant to a separate Yo Fresh Inc. Franchise Agreement (a “**Franchise Agreement**”) that shall be executed as provided in Section 3.4 below.

1.1.2 For each Franchised Store to be developed under this Agreement, Area Developer shall execute the Franchise Agreement for such Franchised Store in accordance with the deadlines set forth in the development schedule specified in Section 1 of Exhibit A to this Agreement (the “**Development Schedule**”).

1.1.3 Each Franchised Store developed hereunder shall be at a specific location, which shall be designated in the Franchise Agreement, that is within the area described in Section 2 of Exhibit A to this Agreement (the “**Development Area**”).

1.2 Development Area

Except as otherwise set forth herein (including, without limitation, the rights retained by Franchisor as described in Section 1.3), during the term of this Agreement, and so long as Area Developer is in compliance with its obligations under this Agreement and all of the Franchise Agreements between Area Developer (including any affiliate of Area Developer), Franchisor shall not establish or operate, or license anyone other than Area Developer to establish or operate, a 16 Handles Store under the Proprietary Marks and System at any location that is within the Development Area.

1.3 Franchisor’s Reserved Rights

Notwithstanding anything to the contrary, Franchisor retains the rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Area Developer any rights therein:

1.3.1 To own, acquire, establish, and/or operate, and license others to establish and/or operate, 16 Handles Stores under the System at any location outside the Development Area notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Franchised Stores;

1.3.2 To own, acquire, establish and/or operate and license others to establish and operate, non-food service businesses under the Proprietary Marks, at any location within or outside the Development Area;

1.3.3 To own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar or different from 16 Handles Stores, at any location within or outside the Development Area notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Franchised Stores;

1.3.4 To own, acquire, establish, and/or operate and license others to establish and operate, 16 Handles Stores under the Proprietary Marks at Non-Traditional Sites (as defined below) at any location within or outside the Development Area. As used in this Agreement, “Non-Traditional Sites” shall mean outlets that serve primarily the customers located within the facility, such as captive audience facilities (examples include, but are not limited to, parks charging admission, stadiums, amusement parks and centers, theaters and art centers), limited purpose facilities (examples include, but are not limited to, airports, transportation centers, department stores, indoor shopping centers, business and industrial complexes, museums, educational facilities, hospitals, art centers, and recreational parks), limited access facilities (examples include, but are not limited to, military complexes, buyer club businesses, educational facilities, business and industrial complexes), mobile vending trucks/carts, and other types of Non-Traditional Sites, such as mobile food services (including a food truck) or temporary sites (including special events like parties);

1.3.5 To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products (including the Products) through grocery, club or convenience stores or through outlets that are primarily retail in nature, or through mail order, toll free numbers, or the Internet, including those products bearing Franchisor’s Proprietary Marks, provided that distribution within the Development Area shall not be from a 16 Handles Store established under the System that is operated from within the Development Area (except from a 16 Handles Store at a Non-Traditional Site); and/or

1.3.6 To engage in any other activity that uses Franchisor’s licenses or any other use of the Proprietary Marks or System not expressly prohibited in this Agreement.

1.4 No Rights to Use the System or Proprietary Marks

This Agreement is not a Franchise Agreement, and does not grant to Area Developer any right to use the Proprietary Marks or the System or to sell or distribute any Products. Area Developer’s rights to use the Proprietary Marks and System will be granted solely under the terms of the Franchise Agreement.

2. TERM

Unless sooner terminated in accordance with the provisions of this Agreement, this Agreement shall commence on the date hereof and shall expire on (a) the last date set forth in the Development Schedule, as shown in Section 1 of Exhibit A, or (b) the date Area Developer secures a Premises and Franchisor grants you a Designated Territory for the last Franchised Store Franchisee is granted under this Agreement (the “Expiration Date”).

3. DEVELOPMENT OBLIGATIONS

3.1 Time is of the Essence

Recognizing that time is of the essence, Area Developer shall comply strictly with the Development Schedule. Area Developer acknowledges and agrees that the Development Schedule requires that Area Developer have executed and delivered to Franchisor Franchise Agreements for a cumulative number of Franchised Stores by the end of the time periods specified in Exhibit A.

3.2 Identifying and Securing Sites

Area Developer shall be solely responsible for identifying, submitting for Franchisor’s approval, and securing specific sites for each Franchised Store. The following terms and conditions shall apply to each Franchised Store to be developed hereunder:

3.2.1 Area Developer shall submit to Franchisor, in a form specified by Franchisor, a completed site approval package, which shall include a site approval form prescribed by Franchisor, an option contract, letter of intent, or other evidence satisfactory to Franchisor which describes Area Developer's favorable prospects for obtaining such site, photographs of the site, demographic statistics, and such other information or materials as Franchisor may reasonably require (collectively, the "**Site Approval Package**"). Franchisor shall have thirty (30) days after receipt of the Site Approval Package from Area Developer to approve or disapprove, in its sole discretion, the proposed site for the Franchised Store. In the event Franchisor does not approve a proposed site by written notice to Area Developer within said thirty (30) days, such site shall be deemed disapproved by Franchisor. No site shall be deemed approved unless it has been expressly approved in writing by Franchisor.

3.2.2 Following Franchisor's approval of a proposed site, Area Developer shall use its best efforts to secure such site, either through a lease/sublease that is acceptable to Franchisor, as provided in Section 3.3 below, or a binding purchase agreement, and shall do so within sixty (60) days of approval of the site by Franchisor. Area Developer shall immediately notify Franchisor of the execution of the approved lease or binding purchase agreement. The site approved and secured pursuant to this Agreement shall be specified as the "Approved Location" under the Franchise Agreement executed pursuant Section 3.4 below.

3.2.3 Area Developer hereby acknowledges and agrees that approval by Franchisor of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Store or for any other purpose. Approval by Franchisor of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Area Developer and Franchisor acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by Franchisor of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Area Developer's expectations as to revenue or operational criteria.

3.3 Lease Terms

For each Franchised Store to be developed hereunder, if Area Developer will occupy the premises from which the Franchised Store will be operated under a lease or sublease, Area Developer shall, prior to execution of such lease, submit the lease to Franchisor for its review and approval; provided, however, if pre-submission to Franchisor is not possible, then Area Developer may sign the lease only on the condition, agreed to in writing by the lessor, that the lease shall become null and void if Franchisor does not approve such lease. Franchisor's approval of the lease or sublease may be conditioned upon the inclusion of such provisions as Franchisor may reasonably require, including, without limitation, the terms and conditions set forth by Franchisor in the Manuals or otherwise in writing from time to time, a current list of which is included in Exhibit E to this Agreement.

3.4 Franchise Agreements

With respect to the Franchise Agreements to be executed for the Franchised Stores to be developed pursuant to this Agreement, the following terms and conditions shall apply:

3.4.1 The Franchise Agreement for the first Franchised Store to be developed under this Agreement shall be the form of Franchise Agreement attached hereto in Exhibit C, and this initial Franchise Agreement must be signed contemporaneously with the execution of this Agreement.

3.4.2 The Franchise Agreement for each subsequent Franchised Store to be developed under this Agreement shall be Franchisor's then-current form of Franchise Agreement, the terms of which may differ from the terms of the Franchise Agreement attached hereto including, without limitation, a higher and/or additional fees; provided, however, that so long as Area Developer is in compliance with this Agreement, then: (i) Area Developer will not be required to pay any additional initial franchise fee under each Franchise Agreement that is executed pursuant to this Agreement and in accordance with the Development Schedule; and (ii) if the royalty fee rate is higher for the then-current form of Franchise Agreement, the royalty fee rate under the Franchise Agreement that Area Developer executes shall be the same as the royalty fee rate set forth in the form of Franchise Agreement attached hereto in Exhibit C. Other than the first Franchised Store, Area Developer must ensure that it enters into Franchisor's then-current form of Franchise Agreement for each Franchised Store granted hereunder on or before the earlier of: (i) 10 days from the date a lease is executed in connection with that Franchised Store; or (ii) the date by which Area Developer must otherwise execute a Franchise Agreement for that Franchised Store in order to get it open in accordance with the Development Schedule.

3.4.3 Franchisor shall permit one or more Franchise Agreements to be executed by entities other than Area Developer; provided that (a) each such franchisee entity is controlled by, or under common control with, Area Developer, and (b) the Area Developer and all Principals (as defined in Section 9.1 below) of Area Developer requested by Franchisor execute guarantees, guarantying to Franchisor the timely payment and performance of the franchisee's obligations under the Franchise Agreement.

3.4.4 Provided that Area Developer is in compliance with this Agreement, after Area Developer locates and secures a site pursuant to Sections 3.2 and 3.3 above, Area Developer (or an affiliate of Area Developer pursuant to Section 3.4.3 above) shall execute the Franchise Agreement for such Franchised Store, as provided in this Section 3.4. Area Developer shall thereafter comply with all pre-opening and opening requirements set forth in the Franchise Agreement relating to the Franchised Store.

3.5 Force Majeure Events

Area Developer shall not be responsible for non-performance or delay in performance occasioned by a "force majeure," which means an act of God, war, civil disturbance, act of terrorism, government action, fire, flood, accident, hurricane, earthquake, or other calamity, strike or other labor dispute, or any other cause beyond the reasonable control of Area Developer; provided, however, force majeure shall not include Area Developer's lack of adequate financing. If any delay occurs, any applicable time period hereunder shall be automatically extended for a period equal to the time lost; provided, however, that Area Developer shall make reasonable efforts to correct the reason for such delay and give Franchisor prompt written notice of any such delay.

4. AREA DEVELOPMENT FEE

In consideration of the development rights granted herein, upon execution of this Agreement, Area Developer shall pay an area development fee that amounts to the sum of the following: (i) \$30,000 for the first Franchised Store granted under this Agreement; (ii) \$25,000 for the second Franchised Store granted under this Agreement; and (iii) \$20,000 for the third and each additional Franchised Store granted under this Agreement (collectively, the "**Area Development Fee**"). Area Developer acknowledges and agrees that the Area Development Fee is deemed fully earned and nonrefundable upon payment in consideration of administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted herein to Area Developer (even if Area Developer fails to develop one (1) or more Franchised Stores granted hereunder).

5. DUTIES OF THE PARTIES

5.1 Franchisor's Assistance

Franchisor shall furnish to Area Developer the following:

5.1.1 Site selection guidelines, including Franchisor's minimum standards for 16 Handles Store sites and sources regarding demographic information, and such site selection counseling and assistance as Franchisor may deem advisable.

5.1.2 Such on-site evaluation as Franchisor deems advisable in response to Area Developer's request for site approval for each Franchised Store; provided, however, that Franchisor shall not provide on-site evaluation for any proposed site prior to the receipt of a Site Approval Package for such site prepared by Area Developer pursuant to Section 3.2. If Area Developer requests additional on-site evaluations, or if Area Developer is searching for sites for its second (or later) Franchised Store, then Area Developer shall pay Franchisor's then-current per diem rate for the site evaluation and shall reimburse Franchisor's expenses, including travel, lodging and meals.

5.2 Designated Principal

If Area Developer is other than an individual, Area Developer shall designate, subject to Franchisor's reasonable approval, one Principal (as defined in Section 9.1) who is both an individual person and owns at least a ten percent (10%) interest in Area Developer, and who shall be responsible for general oversight and management of the development of the Franchised Stores under this Agreement and the operations of all such Franchised Stores open and in operation on behalf of Area Developer (the "**Designated Principal**"). Area Developer acknowledges and agrees that Franchisor shall have the right to rely upon the Designated Principal to have been given, by Area Developer, the responsibility and decision-making authority regarding the Area Developer's business and operation. In the event the person designated as the Designated Principal becomes incapacitated, leaves the employ of Area Developer, transfers his/her interest in Area Developer, or otherwise ceases to supervise the development of the Franchised Stores, Area Developer shall promptly designate a new Designated Principal, subject to Franchisor's reasonable approval in writing.

5.3 Records and Reports to Franchisor

Area Developer shall, at Area Developer's expense, comply with the following requirements to prepare and submit to Franchisor the following reports, financial statements and other data, which shall be prepared in the form and using the standard statements and chart of accounts as Franchisor may prescribe from time to time:

5.3.1 No later than the tenth (10th) day of each calendar month, Area Developer shall have prepared a profit and loss statement reflecting all Area Developer's operations during the last preceding calendar month, for each Franchised Store. Area Developer shall prepare profit and loss statements on an accrual basis and in accordance with generally accepted accounting principles. Area Developer shall submit such statements to Franchisor at such times as Franchisor may designate or as Franchisor may otherwise request.

5.3.2 On April 15th of the year following the end of Area Developer's fiscal year, a complete annual financial statement (prepared according to generally accepted accounting principles), on a compilation basis, and if required by Franchisor, such statements shall be prepared by an independent certified public accountant.

5.3.3 Such other forms, reports, records, information, and data as Franchisor may reasonably designate.

5.4 Maintaining Records

Area Developer shall maintain during the term of this Agreement, and shall preserve for at least seven (7) years from the dates of their preparation, and shall make available to Franchisor at Franchisor's request and at Area Developer's expense, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles.

5.5 Area Developer to Provide Training

Area Developer agrees that, notwithstanding anything to the contrary in any Franchise Agreement, Area Developer shall be responsible for conducting the initial training of all required trainees (including without limitation the owners and management personnel) for the third (3rd) and any subsequent Franchised Stores developed under this Agreement, in accordance with the requirements and conditions as Franchisor may from time to time establish for the initial training. By no later than the time Area Developer is seeking Franchisor's approval to develop the third (3rd) Franchised Store under this Agreement, Area Developer shall have completed to Franchisor's satisfaction all requirements and conditions necessary to obtain Franchisor's approval for Area Developer to conduct such training.

6. DEFAULT AND TERMINATION

6.1 Automatic Termination

Area Developer shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Area Developer, if Area Developer, or any of Area Developer's partners, if Area Developer is a partnership, or any of its officers, directors, shareholders, or members, if Area Developer is a corporation or limited liability company, becomes insolvent or makes a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Area Developer or such a petition is filed against and not opposed by Area Developer; if Area Developer is adjudicated as bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Area Developer or other custodian for Area Developer's business or assets is filed and consented to by Area Developer; if a receiver or other custodian (permanent or temporary) of Area Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against Area Developer; if final judgment remains unsatisfied or of record for thirty (30) days or longer (unless *supersedeas* bond is filed); if Area Developer is dissolved; if execution is levied against any asset of Area Developer or Area Developer's Franchised Stores; if suit to foreclose any lien or mortgage against any asset of Area Developer or Area Developer's Franchised Stores is instituted against Area Developer and not dismissed within sixty (60) days; or if any asset of Area Developer's or any Franchised Store of Area Developer's shall be sold after levy thereupon by any sheriff, marshal, or constable.

6.2 Termination Upon Notice

Area Developer shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder or take any of the actions described in Section 6.5 below, without affording Area Developer any opportunity to cure the default, effective immediately upon the provision of notice to Area Developer (in the manner provided under Section 10 hereof), upon the occurrence of any of the following events of default:

6.2.1 If the Franchise Agreement for any Franchised Store operated by Area Developer (or an entity affiliated with Area Developer) is terminated.

6.2.2 If Area Developer (or an officer, principal or director of, or a shareholder in, Area Developer (or an entity affiliated with Area Developer) if Area Developer is a corporation, or a general or limited partner of Area Developer, if Area Developer is a partnership) is convicted of a felony, a crime involving moral turpitude, or any other crime or action that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein.

6.2.3 If Area Developer or any Principal purports to transfer any rights or obligations under this Agreement or any the assets of Area Developer in a manner that is contrary to the terms of Section 7 of this Agreement.

6.3 Notice and Opportunity to Cure – For a Missed Deadline

Failure by Area Developer to meet a deadline under the Development Schedule (a “**Missed Deadline**”) shall constitute a default under this Agreement. Franchisor shall, for one (1) Missed Deadline, provide Area Developer with a reasonable opportunity to cure such default by Franchisor notifying Area Developer in writing of a new date for the Missed Deadline (without change to any other deadline in the Development Schedule). If Area Developer fails to come into compliance with the Development Schedule by such new deadline, and/or upon the occurrence of another Missed Deadline, Franchisor, in its discretion, may terminate this Agreement and all rights granted hereunder without affording Area Developer any further opportunity to cure the default, effective immediately upon the delivery of written notice to Area Developer (in the manner set forth in Section 10 of this Agreement); or Franchisor, in its discretion, may elect, in lieu of terminating this Agreement, to take any of the actions described in Section 6.5 below.

6.4 Notice and Opportunity to Cure Other Defaults

Except as otherwise provided in Sections 6.1, 6.2 , and 6.3 above, if Area Developer fails to comply with any material term and condition of this Agreement, such action shall constitute a default under this Agreement and, upon the occurrence of any such default, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to Area Developer at least thirty (30) days prior to the effective date of termination; provided, however, that Area Developer may avoid termination by curing the default to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within the thirty (30) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement and all rights granted hereunder (including but not limited to, the right to develop new Franchised Stores) will terminate without further notice to Area Developer effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

6.5 Franchisor's Other Options Upon Default

Franchisor, in its discretion, may elect, in lieu of terminating this Agreement, to use other remedial measures for Area Developer's breach of this Agreement, which include, but are not limited to: (i) loss of the limited exclusivity, or reduction in the scope of protections, granted to Area Developer under Section 1.2 of this Agreement within the Development Area; (ii) reduction in the scope of the Development Area; (iii) reduction in the number of Franchised Stores to be developed by Area Developer; and/or (iv) Franchisor's retention of the Area Development Fee. If Franchisor exercises said right, Franchisor shall not have waived its right to, in the case of future defaults, exercise all other rights and invoke all other provisions that are provided in law and/or set out under this Agreement.

6.6 No Further Rights

Upon termination or expiration of this Agreement, Area Developer shall have no right to establish or operate any 16 Handles Store for which a Franchise Agreement has not been executed by Franchisor at the time of termination or expiration. Franchisor's remedies for Area Developer's breach of this Agreement shall include, without limitation, Area Developer's loss of its right to develop additional Franchised Stores under this Agreement, and Franchisor's retention of the Area Development Fee paid or owed by Area Developer. Upon termination or expiration, Franchisor shall be entitled to establish, and to franchise others to establish, 16 Handles Stores in the Development Area, except as may be otherwise provided under any Franchise Agreement which has been executed between Franchisor and Area Developer or, as permitted under Section 3.4.3 of this Agreement, Area Developer's affiliates.

7. TRANSFER OF INTEREST

7.1 Franchisor's Rights to Transfer

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

Area Developer expressly affirms and agrees that Franchisor may sell its assets, its rights to the Proprietary Marks or to the System outright to a third party; may go public; may engage in a private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, Area Developer expressly and specifically waives any claims, demands or damages arising from or related to the loss of said Proprietary Marks (or any variation thereof) and/or the loss of association with or identification of "Yo Fresh Inc." as Franchisor. Nothing contained in this Agreement shall require Franchisor to remain in the retail frozen dessert business or to offer the same products and services, whether or not bearing the Proprietary Marks, in the event that Franchisor exercises its right to assign its rights in this Agreement.

7.2 No Transfers Without Franchisor's Approval

Area Developer understands and acknowledges that Franchisor has granted the rights hereunder in reliance on the business skill, financial capacity, and personal character of Area Developer or the Principals of Area Developer if Area Developer is not an individual. Accordingly, neither Area Developer nor any Principal shall sell, assign, transfer, pledge or otherwise encumber any direct or indirect interest in the Area Developer (including any direct or indirect interest in a corporate or partnership Area Developer), the rights or obligations Area Developer under this Agreement, or any material asset of the Area Developer's business, without the prior written consent of Franchisor, which shall be subject to Sections 7.3 and 7.4 below and to all of the conditions and requirements for transfers set forth in the Franchise Agreement attached to this Agreement as Exhibit C that Franchisor deems applicable to a proposed transfer under this Agreement.

7.3 Simultaneous Transfers

Area Developer understands and acknowledges that any consent to a transfer of this Agreement shall, unless waived, be conditioned on, among other factors, the requirement that the proposed transfer of this Agreement is to be made in conjunction with a simultaneous transfer of all Franchise Agreements executed pursuant to this Agreement to the same approved transferee.

7.4 Transfer Fee

At the request of Franchisor, Area Developer shall pay a transfer fee of an amount equal to (a) fifty percent (50%) of Franchisor's then-current initial franchise fee per Franchised Store transferred, if the Franchised Store is being transferred to an area developer who will be new to the System, or (b) twenty five percent (25%) of Franchisor's then-current initial franchise fee per Franchised Store transferred, if the Franchised Store is being transferred to an area developer already in the System, to compensate Franchisor for its expenses incurred in connection with the transfer. Additionally, for any Franchise Agreements executed pursuant to this Agreement that are transferred, the transfer fee due under such Franchise Agreement(s) shall be paid to Franchisor pursuant to the terms of such Franchise Agreement(s).

7.5 Transfer to Entity Formed by Area Developer

Notwithstanding anything to the contrary in this Section 7, if Area Developer is an individual and seeks to transfer this Agreement to a corporation, partnership, or limited liability company formed for the convenience of ownership, the conditions of Sections 7.4 shall not apply, and Area Developer may undertake such transfer, provided that Area Developer owns one hundred percent (100%) of the equity interest in the transferee entity, and the Area Developer personally guarantees, in a written guaranty satisfactory to Franchisor, the performance of the obligations of the Area Developer under this Agreement.

7.6 Death or Disability of Area Developer

Upon Area Developer's death or disability, or if it is a corporation, limited liability company, partnership, or other legal entity upon the death or disability of a Principal of Area Developer, all of such person's interest in this Agreement or such interest in Area Developer shall be transferred to a transferee approved by Franchisor. Such disposition of this Agreement or such interest in Area Developer, including, without limitation, transfer by bequest or inheritance, shall be completed within a reasonable time, not to exceed twelve (12) months from the date of death or disability, and shall be subject to terms and conditions substantially similar to those applicable to transfers contained in this Article 7. Failure to so transfer the interest in this Agreement or such interest in Area Developer within said period of time shall constitute a breach of this Agreement.

8. COVENANTS

8.1 Confidential Information

Area Developer shall at all times preserve in confidence any and all materials and information furnished or disclosed to Area Developer by Franchisor, and shall disclose such information or materials only to such of Area Developer's employees or agents who must have access to it in connection with their employment. Area Developer shall not at any time, during the term of this Agreement or thereafter, without Franchisor's prior written consent, copy, duplicate, record, or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person. Upon expiration or termination of this Agreement or the Franchise Agreement, Area Developer shall deliver, at its own expense, the Manual and all other records, computer disks, correspondence, and instructions containing confidential information relating to the operation of the Franchised Store (and any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be the property of Franchisor.

8.2 During the Term

Area Developer specifically acknowledges that, pursuant to this Agreement, Area Developer will receive valuable specialized training and confidential information, which may include, without limitation, information regarding the operational, sales, advertising and promotional methods and techniques of Franchisor and the System. Area Developer covenants that during the term of this Agreement, except as

otherwise approved in writing by Franchisor, Area Developer shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation:

8.2.1 Divert or attempt to divert any business or customer of any 16 Handles Store or of any unit under the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

8.2.2 Unless released in writing by the employer, employ or seek to employ any person who is at that time employed by Franchisor or by any other franchisee or area developer of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment.

8.2.3 Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a one percent (1%) interest in (as owner or otherwise) any Competitive Business (as defined below). A “**Competitive Business**” shall be considered to be a retail business offering frozen dessert products and a manufacturer and/or distributor of frozen dessert products. Frozen dessert products can be any food products such as ice cream, frozen yogurt, custard, smoothies and/or shakes. Furthermore, Area Developer acknowledges and agrees that Area Developer shall be considered in default under this Agreement and that this Agreement will be subject to immediate termination as provided in Section 6.2 herein, in the event that a person in the immediate family (including spouse, domestic partner, parent, sibling or child) of Area Developer (or, if Area Developer is other than an individual, each Principal that is subject to these covenants) engages in a Competitive Business that would violate this Section 8.2.3 if such person was subject to the covenants of this Section 8.2.3.

8.3 After the Agreement and After a Transfer

Area Developer covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period of two (2) years from the date of (a) a transfer permitted under Section 7 above; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); (d) a final order of a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 8.3; or (e) any or all of the foregoing, Area Developer shall not either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, partnership, corporation, or other entity, own, maintain, operate, engage in, or have any interest in any Competitive Business, which is, or is intended to be (i) located within the Development Area (other than those Franchised Stores provided for in the Development Schedule), or makes offers and sales into the Development Area; or (ii) located within a radius of twenty-five (25) miles of any other 16 Handles Store located anywhere. Provided, however, that this provision shall not apply to the operation by Area Developer of any business under the System under a Franchise Agreement with Franchisor.

8.4 Exception for Ownership in Public Entities

Sections 8.2 and 8.3 hereof shall not apply to ownership by Area Developer of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation. As used in this Agreement, the term “publicly held corporation” refers to a corporation which has outstanding securities that have been registered under the federal Securities Exchange Act of 1934, as amended.

8.5 Personal Covenants

At the request of Franchisor, Area Developer shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Section 8 (including covenants applicable upon the termination of a person’s relationship with Area Developer) and the provisions of Sections 6 and 7 of this

Agreement (as modified to apply to an individual) from any or all of the following persons: (a) the Designated Principal, (b) all managers and other personnel employed by Area Developer who have received or will receive training and/or other confidential information; and (c) all officers, directors, and Principals who have or will receive training or access to confidential information, or who are or may be involved in the operation or development of the Franchised Stores. Every covenant required by this Section 8.5 shall be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

8.6 Covenants as Independent Clauses

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

8.7 Franchisor's Right to Reduce Scope of the Covenants

Area Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 8.2 and 8.3 in this Agreement, or any portion thereof, without Area Developer's consent, effective immediately upon receipt by Area Developer of written notice thereof; and Area Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 15 hereof.

8.8 Covenants Survive Claims

Area Developer expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 8. Area Developer agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 8.

8.9 Compliance with Laws

Area Developer represents and warrants to Franchisor that neither Area Developer (including, without limitation, any and all of its employees, directors, officers and other representatives) nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

9. CORPORATE, LIMITED LIABILITY COMPANY, OR PARTNERSHIP AREA DEVELOPER

9.1 List of Principals

If Area Developer is a corporation, limited liability company, or partnership, each owner of beneficial interest in Area Developer (each a "**Principal**"), and the interest of each Principal in Area Developer, shall be identified in Exhibit B to the Agreement. Area Developer shall maintain a list of all Principals and immediately furnish Franchisor with an update to the information contained in Exhibit B upon any change, which shall be made only in compliance with Section 7 above.

9.2 Guaranties

Such Principals as Franchisor may request shall execute a guarantee, indemnification, and acknowledgment of Area Developer's obligations under this Agreement in the form attached hereto as

Exhibit D. As set forth in Section 5.2 above, the Designated Principal shall at all times have at least a ten percent (10%) interest in Area Developer.

9.3 Corporations and Limited Liability Companies

If Area Developer is a corporation or limited liability company, Area Developer shall comply with the following requirements:

9.3.1 Area Developer shall be newly organized and its governing documents shall at all times provide that its activities are confined exclusively to developing and operating the Franchised Stores.

9.3.2 Area Developer shall, upon request of Franchisor, promptly furnish to Franchisor copies of Area Developer's articles of incorporation, bylaws, articles of organization, operating agreement and/or other governing documents, and any amendments thereto, including the resolution of the Board of Directors or members authorizing entry into this Agreement.

9.3.3 Area Developer shall maintain stop-transfer instructions against the transfer on its records of any equity securities; and each stock certificate or issued securities of Area Developer shall conspicuously endorse upon its face a statement, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement; provided, however, that the requirements of this Section 9.3.3 shall not apply to a publicly held corporation.

9.4 Partnerships and Limited Liability Partnerships

If Area Developer or any successor to or assignee of Area Developer is a partnership or limited liability partnership, Area Developer shall comply with the following requirements:

9.4.1 Area Developer shall be newly organized and its partnership agreement shall at all times provide that its activities are confined exclusively to developing and operating the Franchised Stores.

9.4.2 Area Developer shall furnish Franchisor with a copy of its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto.

9.4.3 The partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

10. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

11. PERMITS AND COMPLIANCE WITH THE LAWS

11.1 Compliance with Laws

Area Developer shall comply with all federal, state, and local laws, rules and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business contemplated under this Agreement.

11.2 Notice of Actions

Area Developer shall notify Franchisor in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of Area Developer and/or any Franchised Store established under this Agreement.

12. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

12.1 No Fiduciary Relationship

Area Developer is an independent contractor. Franchisor and Area Developer are completely separate entities and are not fiduciaries, partners, joint venturers, or agents of the other in any sense and neither shall have the power to bind the other. No act or assistance given by either party to the other pursuant to this Agreement shall be construed to alter the relationship.

12.2 Public Notice

During the term of this Agreement, Area Developer shall hold itself out to the public as an independent contractor operating the business pursuant to an area development agreement with Franchisor. Area Developer agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of the fact in a conspicuous place in Area Developer's offices, the content of which Franchisor reserves the right to specify.

12.3 No Assumption of Liability

Nothing in this Agreement authorizes Area Developer to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Area Developer in Area Developer's operations hereunder, or for any claim or judgment arising therefrom against Area Developer or Franchisor.

12.4 Indemnification

Area Developer shall indemnify and hold Franchisor, its owners and affiliates, and their respective officers, directors, and employees (the "**Indemnitees**") harmless against any and all causes of action, claims, losses, costs, expenses, liabilities, litigation, damages or other expenses (including, but not limited to, settlement costs and attorneys' fees) arising directly or indirectly from, as a result of, or in connection with Area Developer's operation of the business contemplated hereunder (notwithstanding any claims that the Indemnitees are or were negligent). Area Developer agrees that with respect to any threatened or actual litigation, proceeding or dispute which could directly or indirectly affect any of the Indemnitees, the Indemnitees shall have the right, but not the obligation, in their discretion, to: (i) choose counsel, (ii) direct, manage and/or control the handling of the matter; and (iii) settle on behalf of the Indemnitees, and/or Area Developer, any claim against the Indemnitees. All vouchers, canceled checks, receipts, receipted bills or other evidence of payments for any such losses, liabilities, costs, damages, charges or expenses of whatsoever nature incurred by any Indemnitee shall be taken as prima facie evidence of Area Developer's obligation hereunder.

13. APPROVALS AND WAIVERS

13.1 Approval Requests

Whenever this Agreement requires the prior approval or consent of Franchisor, Area Developer shall make a timely written request to Franchisor therefor, and such approval or consent shall be in writing. Franchisor shall respond to Area Developer's timely requests in a reasonably timely and prompt manner.

13.2 Non-waiver

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Area Developer with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof. Waiver by Franchisor of any particular default by Area Developer shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Area Developer of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Area Developer of any terms, covenants or conditions of this Agreement.

14. SEVERABILITY AND CONSTRUCTION

14.1 Severable Parts

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

14.2 Terms Surviving this Agreement

Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination or assignment of this Agreement (regardless of cause for termination), or assignment shall survive such expiration, termination.

14.3 No Rights on Third Parties

Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Area Developer, Franchisor, officers, directors, shareholders, agents, and employees of Franchisor, and such successors and assigns of Franchisor as may be contemplated by Section 15 hereof, any rights or remedies under or by reason of this Agreement.

14.4 Full Scope of Terms

Area Developer expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the

provisions hereof any portion or portions which a court or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

14.5 Franchisor's Application of its Rights

Franchisor shall have the right to operate, develop and change the System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right to take or withhold an action, or are deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Area Developer a right to take or omit an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and its judgment of what is in its best interests and/or in the best interests of the Franchisor's franchise network, at the time its decision is made, without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by Franchisor; (ii) the decision or action of Franchisor will promote its financial or other individual interest; (iii) Franchisor's decision or the action it take applies differently to Area Developer and one or more other franchisees, area developers or Franchisor's company-owned operations; or (iv) Franchisor's decision or the exercise of its right or discretion is adverse to Area Developer's interests. In the absence of an applicable statute, Franchisor will have no liability to Area Developer for any such decision or action. Franchisor and Area Developer intend that the exercise of Franchisor right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Area Developer agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Area Developer's rights and obligations hereunder.

14.6 Captions Only for Convenience

All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

15. ENTIRE AGREEMENT

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

16. APPLICABLE LAW AND DISPUTE RESOLUTION

16.1 Governing Law

This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed under the laws of the State of New Jersey. In the event of any conflict of law, the laws of New Jersey shall prevail, without regard to, and without giving effect to, the application of New Jersey conflict of law rules. Nothing in this Section 16.1 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the State of New Jersey or of any other state to which it would not otherwise be subject.

16.2 Internal Dispute Resolution

Area Developer must first bring any claim or dispute between Area Developer and Franchisor to Franchisor's management, after providing notice, and make every effort to resolve the dispute internally. Area Developer must exhaust this internal dispute resolution procedure before Area Developer may bring Area Developer's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

16.3 Non-Binding Mediation

At Franchisor's option, all claims or disputes between Area Developer and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Area Developer and Franchisor (or its affiliates), or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 16.2 above, will first be submitted first to non-binding mediation to take place at Franchisor's headquarters in New Jersey under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Area Developer must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Area Developer as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Area Developer may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and Area Developer will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 16.3 if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Area Developer's payment obligations under this Agreement.

16.4 Litigation

Except for those claims described in Section 16.3 of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated in the state court of general jurisdiction closest to Closter, New Jersey or, if appropriate, the United States District Court for the District of New Jersey. Franchisee acknowledges that this Agreement has been entered into in the State of New Jersey, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in New Jersey, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of New Jersey as set forth in this Section.

16.5 Third Party Signatories

The provisions of this Subsection are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

16.6 No Rights Exclusive of Other Rights

No right or remedy conferred upon or reserved to Franchisor or Area Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy provided herein or permitted by law or equity, but each shall be cumulative of every other right or remedy.

16.7 Waiver of Jury Trial and Waiver of Class Action

Franchisor and Area Developer irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of them against the other. The parties agree that all proceedings arising out of or related to this Agreement, or the sale of the Franchised Stores, will be conducted on an individual, not a class-wide basis, and that any proceeding between Area Developer, Area Developer's guarantors and Franchisor or its affiliates/officers/employees may not be consolidated with any other proceeding between Franchisor and any other third party.

16.8 Waiver of Punitive Damages

Area Developer hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Area Developer's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent Franchisor from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the term of this Agreement if it is terminated due to Area Developer's default, which the parties agree and acknowledge Franchisor may claim under this Agreement.

16.9 Injunctive Relief

Nothing herein contained shall bar the right of Franchisor to obtain injunctive relief against threatened conduct that will cause it loss or damages under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

16.10 Attorneys' Fees and Costs

In the event Franchisor is required to engage legal counsel to enforce any terms of this Agreement against Area Developer, then Area Developer shall be responsible for reimbursing Franchisor for the costs that Franchisor incurs in connection with such engagement, including without limitation, any and all costs and reasonable attorneys' fees (and other fees for experts, etc.) that Franchisor incurs in any claim, action or proceeding: (i) that Franchisor initiates against Area Developer or, in the alternative, Area Developer initiates against Franchisor and Franchisor defends or counter-claims; and (ii) wherein Franchisor prevails.

16.11 Limitation of Action

Any and all claims and actions arising out of or relating to this Agreement, the relationship of Area Developer and Franchisor, or Area Developer's activities under this Agreement, brought by either party hereto against the other, whether in mediation, or a legal action, shall be commenced within two (2) years from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

17. ACKNOWLEDGMENTS

17.1 Area Developer's Investigation of the Business Possibilities

Area Developer acknowledges that it has conducted an independent investigation of the business of developing and operating 16 Handles Stores, and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of Area Developer (or, if Area Developer is a corporation, partnership or limited liability company, the ability of its principals) as (an) independent businessperson(s). Franchisor expressly disclaims the making of, and Area Developer acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

17.2 Receipt of Disclosure Document

Area Developer acknowledges that it received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures" at least fourteen (14) calendar days prior to the date on which this Agreement was executed or any payment by Area Developer for the rights granted under this Agreement.

17.3 Area Developer Read the Agreement and Consulted

Area Developer acknowledges that it has read and understood this Agreement, the attachments hereto, and agreements relating thereto, if any, and that Franchisor has accorded Area Developer ample time and opportunity to consult with advisors of Area Developer's own choosing about the potential benefits and risks of entering into this Agreement.

17.4 No Conflicting Obligations

Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement in duplicate on the day and year first above written.

YO FRESH INC.

Franchisor

Area Developer

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

Address for Notices:

Yo Fresh Inc.

95 Christopher Columbus Drive, 16th Floor
Jersey City, NJ 07302
Attn: Solomon Choi
Telephone: (551) 222-6043

Address for Notices:

Telephone: _____
Fax: _____
Attn: _____

With copy to:

Lane Fisher, Esq.
Fisher Zucker LLC
21 South 21st Street
Philadelphia, PA 19103
Telephone: (215) 825-3100
Fax: (215) 825-3101

YO FRESH INC.
AREA DEVELOPMENT AGREEMENT
EXHIBIT A
DATA SHEET

1. Development Schedule (see Section 1.1): Area Developer shall execute Franchise Agreements for the development and operation of _____ (____) Franchised Stores, within the Development Area in accordance with the following Development Schedule:

Expiration of Development Period	Minimum Cumulative Number of Franchised Stores that Must Be Open and Operating Within the Development Area by the Applicable Expiration Date (Each Pursuant to a Separate Franchise Agreement With Us)

2. Development Area (see Section 1.1): The Development Area shall be the following,: _____

3. Area Development Fee (see Section 4.1): The Area Development Fee that Area Developer must pay upon execution of this Agreement amounts to: \$_____.

Initial:_____ Date:_____ Initial:_____ Date:_____

FRANCHISOR

AREA DEVELOPER

YO FRESH INC.
AREA DEVELOPMENT AGREEMENT
EXHIBIT B
LIST OF PRINCIPALS & DESIGNATED PRINCIPAL

The following identifies all of Area Developer's Principals (as defined in Section 9.1 of the Area Development Agreement):

Name of Principal	Address	Interest (%) with description
		Total: 100%

AREA DEVELOPER'S DESIGNATED PRINCIPAL

The following identifies Area Developer's Designated Principal (as defined in Section 5.2 of the Area Development Agreement):

Name and Title	Address, telephone number, and e-mail address	Interest (%) (with description) if any

YO FRESH INC.
AREA DEVELOPMENT AGREEMENT
EXHIBIT C
FORM OF FRANCHISE AGREEMENT

YO FRESH INC.
AREA DEVELOPMENT AGREEMENT
EXHIBIT D
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to Yo Fresh Inc. (“**Franchisor**”) to enter the Yo Fresh Inc. Area Development Agreement between Franchisor and _____ (“**Area Developer**”), dated _____, 20____ (the “**Agreement**”), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and Franchisor’s successors and assigns that all of Area Developer’s monetary obligations under the Agreement will be punctually paid and performed and that all monetary obligations will be punctually paid and performed.

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

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

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants contained in Sections 6, 7, 8, and 16 of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the “16 Handles” marks or system.

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

Guarantor represents and warrants to Franchisor that neither Guarantor (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

Any and all notices required or permitted under this guarantee provision shall be in writing and shall be personally delivered, in the manner provided under Section 10 of this Agreement.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 16 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of New Jersey. In the event of any conflict of law, the laws of the State of New Jersey shall prevail (without regard to, and without giving effect to, the application of New Jersey conflict of law rules).

IN WITNESS WHEREOF, the undersigned has signed this guarantee provision as of the date of this Agreement.

GUARANTOR(S)

Printed Name: _____

Address: _____

Signed: _____
(In his/her individual capacity)

Printed Name: _____

Address: _____

YO FRESH INC.
AREA DEVELOPMENT AGREEMENT
EXHIBIT E
LEASE TERMS

In accordance with Section 3.3 of this Area Development Agreement, Area Developer's lease or sublease for the premises of each of the Franchised Stores shall contain terms acceptable to Franchisor, which may include (but are not limited to) the following:

1. The initial term of the lease, or initial term together with renewal terms, will be for not fewer than seven (7) years.

2. A provision stating that the lessor consents to Area Developer's use and display of the Proprietary Marks and signage as Franchisor may prescribe from time to time for the Franchised Store, subject only to the provisions of applicable law.

3. A provision that Area Developer shall have the right to alter, renovate, add, remodel, modify, and/or change the premises and/or other improvements upon the premises as Area Developer may deem desirable, provided that if any such alterations, renovations, additions, modifications, remodeling and/or changes to the premises and/or improvements upon the premises affect the exterior, structural elements or foundation of the premises, Area Developer shall first obtain the consent of the lessor, which consent shall not be unreasonably withheld, conditioned or delayed.

4. A provision that the premises be used solely for the operation of a franchised 16 Handles Store, which is currently a retail store offering frozen yogurt and toppings in a self-serve environment, and promotional items such as shirts, hats and other items displaying the "16 Handles" logo, all as may be permitted under the relevant franchise agreement signed for the Franchised Store.

5. A provision that requires the lessor to concurrently provide Franchisor with a copy of any written notice of deficiency under the lease sent to Area Developer, and that the lessor will provide Franchisor with written notice specifying deficiencies that Area Developer did not cure.

6. A provision that grants to Franchisor, in its sole discretion, the right (but not obligation) to cure any deficiency under the lease within thirty (30) days after the expiration of the period in which Area Developer had to cure any such default should Area Developer fail to do so.

7. A provision acknowledging that, in the event the Franchise Agreement for the Franchised Store expires or is terminated: (a) Area Developer is obligated under the Franchise Agreement to take certain steps to de-identify the location as a 16 Handles Store operated by Area Developer; and (b) the lessor will cooperate fully with Franchisor in enforcing such provisions of the Franchise Agreement against the Area Developer, including allowing Franchisor, its employees and agents to enter and remove signs, decor and materials bearing or displaying any Proprietary Marks, designs or logos of Franchisor, provided that the lessor shall not be required to bear any expense thereof.

8. A provision that expressly states that any default under the lease shall constitute a default under the Franchise Agreement, and that the termination of the Franchise Agreement shall constitute a default under the lease.

9. A provision reserving to Franchisor the right, at Franchisor's election, to receive an assignment of the leasehold interest upon termination or expiration of the franchise grant.

10. A provision that expressly requires that, if requested by Franchisor, the lessor of the premises will provide Franchisor all sales and other information the lessor may have related to the operation of the Franchised Store.

11. Area Developer is restricted from accepting any requirement under the lease that seeks to impose any restrictions (territorial or otherwise) on the development or operation of other 16 Handles Stores by Area Developer, Franchisor, or any other person or entity.

12. A provision that the lessor agrees that Area Developer may not assign the lease or sublease all or any part of its occupancy rights thereunder without Franchisor's prior written consent.

13. A provision that the lessor's consent to an assignment of the lease or subletting of the Premises will not be required in connection with an assignment or subletting Franchisor, or any parent, subsidiary or affiliated corporation of Franchisor or Area Developer, or another operator that has been approved by Franchisor to be the franchisee for the Franchised Store.

14. A provision that prohibits the lessor from selling or leasing, or allowing the sublease of, space in the building or on the property to any person or entity for a retail food business that will consist predominantly of frozen dessert items. Additionally, the lessor shall not sell and shall prohibit any other tenant or subtenant in the building, or on the property, from engaging in activities predominantly related to the sale of frozen dessert items. In the event lessor does not comply with these restrictions, Franchisor will have the right to seek an injunction prohibiting the occupancy by the new competing business or against the existing tenant as the case may be.

EXHIBIT D TO THE DISCLOSURE DOCUMENT
STATE SPECIFIC ADDENDUM

EXHIBIT D TO THE DISCLOSURE DOCUMENT
ADDENDUM TO THE YO FRESH INC. DISCLOSURE DOCUMENT, FRANCHISE
AGREEMENT AND AREA DEVELOPMENT AGREEMENT
FOR THE STATE OF NEW YORK

Item 3, "Litigation" is hereby amended by deleting the first paragraph in that Item and replacing it by the following language:

- (1) Neither we, any predecessor, any person identified in Item 2 above, nor any affiliate offering franchises under our principal trademark has pending any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) alleging a violation of any franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable allegations.
- (2) Neither we, any predecessor, any person identified in Item 2 above, nor any affiliate offering franchises under our principal trademark has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the date of this offering circular, has been convicted of a misdemeanor or pleaded nolo contendere to a misdemeanor charge or been held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceeding if such misdemeanor conviction or charge or civil action, complaint or other legal proceeding involved a violation of any franchise, anti-fraud or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, misappropriation of property or comparable allegations.
- (3) Neither we, any predecessor any person identified in Item 2 above, nor any affiliate offering franchises under our principal trademark is subject to any currently effective injunctive or restrictive order or decree relating to franchises or under any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency, is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent."

Item 4, "Bankruptcy" is hereby deleted in its entirety and the following language substituted in lieu thereof:

"Neither we, nor any affiliate or predecessor or current officer or general partner have during the 10 year period immediately before the date of this Disclosure Document (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the Franchisor held this position with the company or partnership."

Item 17, "Renewal, Termination, Transfer and Dispute Resolution" is amended as follows:

(a) By adding the following in the "Summary" column opposite category d., "Termination by you":

"To the extent required by the New York General Business Law, you may terminate the Agreement on any grounds available by law."

(b) By adding the following in the "Summary" column opposite category w., "Choice of law":

"The foregoing choice of law should not be considered a waiver of any right conferred upon you by the General Business Law of the State of New York, Article 33."

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20____.

ATTEST

YO FRESH INC.

Witness

By:_____
Name:_____
Title:_____

FRANCHISEE:

Witness

EXHIBIT E TO THE DISCLOSURE DOCUMENT
LIST OF FRANCHISEES
(Updated as of December 31, 2021)

Name	Address	Phone
<u>Connecticut</u>		
Erik Mallon	1300 Post Road, Fairfield, CT 06824	(203) 292-9841
Rich Decesare	219 Bedford St, Stamford, CT 06901	(203) 817-0707
<u>Florida</u>		
Laetitia Perinotti	1400 Glades Rd #170-B, Boca Raton, FL 33431	(561) 672-7649
<u>New Jersey</u>		
Urooj Mirza	651 Kapkowski Rd, Elizabeth, NJ 07201	(908) 355-1616
Urooj Mirza	1185 Maxwell Pl, Hoboken, NJ 07030	(201) 217-0858
Shabbir Bhalloo	105 Joyce Kilmer Ave, Piscataway, NJ 08854	(732) 369-0800
Urooj Mirza	6 Mt. Bethel Road, Warren, NJ 07059	(908) 322-0616
Charlie Wang	4115 Town Center Way, Livingston, NJ 07039	(973) 369-7226
Kwang Moon Hur	1 Garden State Plz, Paramus, NJ 07652	(201) 843-2464
Bhupinder Nanda	7 Teterboro Landing Drive, Teterboro NJ	(201) 288-7775
<u>New York</u>		
Bruce Cohen	1569 2nd Ave, New York, NY 10028	(646) 863-2522
Bruce Cohen	325 Amsterdam Ave, NY, NY	(646) 861-1281
Bruce Cohen	2600 Broadway, New York NY 10025	(646) 422-7022
Bruce Cohen	1161 1st Avenue, New York NY 10065	(646) 707-3424
Melissa Salisbury	5 Southside Drive, Clifton Park, NY 12065	(518) 982- 0659
Scott Noel	593 N. Greenbush Rd, Rensselaer, NY 12144	(518) 238-3597
Rich Decesare	77 Quaker Ridge Rd, New Rochelle, NY 10804	(914) 278-9518
Bruce Zakilik	361 Mamaroneck Avenue, White Plains NY 10605	(914) 607-7783
Ben Gruber	22 Jericho Turnpike, Jericho, NY 11590	(516) 833-6855
Ben Gruber	1005 Port Washington Boulevard, Port Washington NY 11050	(516) 439-4715
Lawrence Jasenski	380 Rte. 9W, Glenmont, NY 12077	(518) 433-1616
Lenny Spiegel	170 South Main St, New City, NY 10956	(845) 634- 1616
Neil Hershman	178 8 th Ave, New York, NY 10011	(212) 627-2808

Name	Address	Phone
Neil Hershman	153 2 nd Ave, New York, NY 10003	(212) 392-1200
Neil Hershman	428 3 rd Ave, New York, NY 10016	(212) 260-4414
Neil Hershman	155 Chambers Street New York, New York 10007	(917) 472-7335
Neil Hershman	732 7th Ave, New York, NY 10019	(646) 861-1912
Paul Cervoni	27 Atlantic Ave, Lynbrook, NY 11563	(516) 341-7242
Emmanuel Lemen	3 Nassau Blvd South, Garden City NY 11530	(516) 746-0594

SIGNED FRANCHISEES WITHOUT OPEN LOCATIONS AS OF DECEMBER 31, 2021

None.

EXHIBIT F TO THE DISCLOSURE DOCUMENT
LIST OF FORMER FRANCHISEES THAT LEFT THE SYSTEM IN OUR PAST FISCAL
2021

Name	Address	Phone Number
Ben Gruber	40 Middle Neck Road, Great Neck, NY 11021	(516) 858-0405
Scott Silverman	22 Jericho Turnpike, Jericho, NY 11590	(516) 833-6855
Ming Li	7 Teterboro Landing Drive, Teterboro NJ	(201) 288-7775
Bruce Zakilik	77 Quaker Ridge Rd, New Rochelle, NY 10804	(914) 278-9518

EXHIBIT G TO THE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

YO FRESH, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2021

YO FRESH, INC.
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AKIVA MANNE
CERTIFIED PUBLIC ACCOUNTANT
905 HARRISON ST ALLENTOWN, PA 18103

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of
Yo Fresh, Inc.**

Opinion

We have audited the financial statements of Yo Fresh, Inc. which comprise the balance sheets as of December 31, 2021 and 2020, and the related statement of operations, changes in shareholders' deficit, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Yo Fresh, Inc., 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 Yo Fresh, Inc. 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, 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 Yo Fresh, Inc.'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 Yo Fresh, Inc.'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.



Akiva Manne CPA
Allentown PA
March 18, 2022

**YO FRESH, INC.
BALANCE SHEETS**

<u>ASSETS</u>		
	<u>DECEMBER 31</u>	
	<u>2021</u>	<u>2020</u>
Current Assets		
Cash	\$ 206,148	\$ 110,594
Accounts receivable	106,424	77,967
Inventory	2,445	619
Due from shareholders	196,516	16,977
Other current assets	1,122	4,272
Total Current Assets	512,655	210,429
 Security deposit	 18,049	 18,049
 Total Assets	 \$ 530,704	 \$ 228,478
 <u>LIABILITIES AND SHAREHOLDERS' (DEFICIT)</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 259,782	\$ 162,125
Deferred franchise fees	147,775	29,358
Total Current Liabilities	407,557	191,483
 SBA Loan, net of current	 159,296	 153,460
Deferred franchise fees, net of current	777,521	1,038,370
Total Non-Current Liabilities	936,817	1,191,830
 Shareholders' (Deficit)	 (813,670)	 (1,154,835)
 Total Liabilities and Shareholders' (Deficit)	 \$ 530,704	 \$ 228,478

See Notes to financial statements

YO FRESH, INC.
STATEMENTS OF OPERATIONS AND SHAREHOLDERS' (DEFICIT)

	YEARS ENDING DECEMBER 31	
	2021	2020
Revenues		
Royalties	\$ 599,273	\$ 403,255
Franchise fees	282,431	48,940
Yogurt Sales	669,892	445,639
Franchise advertising fees	272,322	182,245
Other revenues	252,168	2,062
	<u>2,076,086</u>	<u>1,082,141</u>
 Cost of Goods Sold Yogurt Sales	 599,901	 395,408
 Operating Expenses	 <u>1,255,216</u>	 <u>938,209</u>
 Income (loss) from Operation	 220,969	 (251,476)
 Grant Income	 <u>180,509</u>	 <u>134,004</u>
 Net Income (Loss)	 401,478	 (117,472)
 Shareholders' (Deficit) - Beginning	 (1,154,835)	 (787,363)
 Shareholders' (Distributions)	 <u>(60,313)</u>	 <u>(250,000)</u>
 Shareholders' (Deficit) - Ending	 <u><u>\$ (813,670)</u></u>	 <u><u>\$ (1,154,835)</u></u>

See Notes to financial statements

YO FRESH, INC.
STATEMENTS OF CASH FLOWS

	YEARS ENDING DECEMBER 31	
	2021	2020
Cash Flow From Operating Activities		
Net income (loss)	\$ 401,478	\$ (117,472)
Depreciation and amortization	—	1,992
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(28,457)	5,441
Inventory	(1,826)	5,785
Prepaid expenses	3,150	833
Due from shareholders	(179,539)	83,023
Accounts payable and accrued expenses	97,657	(37,827)
Marketing funds payable	—	(27,179)
Deferred franchise fees	(267,432)	(25,939)
Other current liabilities	125,000	(179)
	<u>150,031</u>	<u>(111,522)</u>
Cash (Used) In Investing Activities		
Shareholders' (distributions)	<u>(60,313)</u>	<u>(250,000)</u>
Cash Flow from In Financing Activities		
SBA loans	<u>5,836</u>	<u>153,460</u>
Net Increase (Decrease) In Cash	95,554	(208,062)
Cash - Beginning of Year	<u>110,594</u>	<u>318,656</u>
Cash - End of Year	<u><u>\$ 206,148</u></u>	<u><u>\$ 110,594</u></u>
Interest rolled into SBA loan	5,836	3,460
Provision for (recovery of) bad debt	—	(41,199)

See Notes to financial statements

YO FRESH, INC.
NOTES TO FINANCIAL STATEMENTS

1. THE COMPANY

Yo Fresh Inc. is a New York Corporation that was formed in July 2011. The Company sells franchises under the trademark "16 Handles," for which it earns royalties and franchise fees. The Company also offers area development agreements ("ADAs") which grant the right to establish and operate a specified number of franchisee locations in a specified geographical area ("Development Area").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Franchise Arrangements-The Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate a store(s) offering frozen yogurt and toppings in a self-serve environment using proprietary recipes, formulas and techniques, as well as a variety of non-proprietary food, beverage, and other compatible items, for a specified number of years.

Concentration of Credit Risk-Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company's cash accounts as of December 31, 2021, and 2020 did not exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of \$250,000. The Company maintains its cash and cash equivalents with accredited financial institutions.

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

Taxes on Income-The Company files as an S corporation for federal and state income tax purposes, and income and expenses of the Company pass through directly to the shareholders and are reported on their individual income tax returns. The company is headquartered in New York City with does not recognize Sub S corporations and it's therefore subject to the New York City General Corporation Tax with has a rate of 8.85% of taxable income. The Company did not accrue New York City tax as of December 31, 2021, and 2020 as it had cumulative net operating losses carryforwards more than New York City taxable income. As of December 31, 2021, and 2020, the Company had available net carry forward losses of \$22,428 and \$257,485, respectively. The Company elected not to present a deferred tax asset as of December 31, 2021, and 2020 as the use of such tax asset is deemed as uncertain.

3. REVENUE RECOGNITION

The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("Topic 606") using the modified retrospective adoption method on January 1, 2019. The transaction price attributable to performance obligations are recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation are amortized over the life of the related franchise agreements. Commission paid for franchises are amortized over the life of the franchise agreement.

4. DEFERRED FRANCHISE FEES

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recognition ("Topic 606"), the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2021, and 2020, were \$800,296 and \$1,067,728 respectively.

The Company also offers area development agreements ("ADAs") which grant the right to establish and operate a specified number of franchisee locations in a specified geographical area ("Development Area"). The Company charges development fees to franchisees for their corresponding Development Area. Franchisees who enter ADAs are required to open franchisee locations in accordance with a mandatory development schedule. In the past, the Company signed an ADA with a large marketing firm in Saudi Arabia to open 150 franchised locations throughout the Middle East. In 2015, there were three locations opened in the Middle East, which have since been closed. Fees collected for these development rights amounted to \$750,000, of which \$15,000 was recognized in prior years. The remaining development right fees of \$735,000 are included in "Deferred franchise fees" in the accompanying balance sheets as of both December 31, 2021, and 2020.

5. MARKETING FUND

The Company maintains a marketing fund established to collect and administer funds contributed for use in advertising and promotional programs for franchise units. Advertising fees are collected from franchisees based on a percentage of franchisee gross revenues. When advertising fees exceed the related advertising expenses in a reporting period, advertising costs are deferred up to the amount of advertising revenues recognized. For the years ending December 31, 2021 and 2020 there were no deferred advertising fees. During the years ending December 31, 2021, and 2020 the Company invoiced \$272,322 and \$182,245, respectively. During the years ending December 31, 2021 and 2020 the Company incurred advertising expenses of \$334,706 and \$265,277, respectively.

6. GIFT CARD PAYABLE

The Company sells gift cards through selected third-party web sites. A liability is initially established for the cash value of the gift card. The Company recognizes revenue from gift cards when the card is redeemed by the customer. The Companies current liability as of December 31, 2021, and 2020 is \$129,414 and \$115,193, respectively.

YO FRESH, INC.
NOTES TO FINANCIAL STATEMENTS

7. COMMITMENTS AND CONTINGENCIES

The Company has entered into an operating lease agreement for office space which expires during 2023. Future annual minimum payments under noncancellable operating leases for office space as of December 31, 2021, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2022	70,204
2023	<u>11,758</u>
Total minimum lease payments	<u>\$ 81,962</u>

Rental expenses and other operating lease expenses for the years ended December 31, 2021, and 2020 were \$59,988 and \$53,527, respectively.

8. RELATED PARTIES

In January 2018, one franchisee location was converted to an affiliate-operated location. As of December 31, 2021, and 2020, the outstanding receivables related to the previously franchised location, of \$519 and \$259 are included in "Accounts receivable" in the accompanying balance sheets, respectively.

The Company periodically advances funds to its shareholders or related companies. These advances are due upon demand and do not bear interest. As of December 31, 2021, and 2020 the balances due from related parties were \$196,516 and \$16,977, respectively.

9. COVID-19 AND THE PAYCHECK PROTECTION PROGRAM

The global outbreak of COVID-19 was declared a pandemic by the World Health Organization and a national emergency by the U.S. government in March 2020 and has negatively affected the U.S. economy. The continuing impact on the Company's business has contributed to and may continue to have a material adverse effect on the Company's business, results of operations, financial condition, and cash flows.

The Company received unsecured loan in the amount of \$120,165 and 180,509 in April 2020 and February 2021, respectively, under the Paycheck Protection Program (the "PPP") which was established under the Coronavirus Aid, Relief and Economic Security Act ("the CARES Act"). Under the CARES Act loan forgiveness is available for the sum of documented payroll costs, covered rent payments and covered utilities during the measurement period beginning on the date of first disbursement of the PPP Loans. Additionally, during 2020 the Company received state grants in the amount of \$13,839

The Company determined it most appropriate to account for the PPP loan proceeds as in-substance government grants because it has received forgiveness of the debt in August 2020 and December 2021, respectively. The Company has elected to recognize grant income separately within other income to present a clear distinction in its financial statements between its operating income and the amount of net income resulting from the PPP loan and subsequent forgiveness.

10. SUBSEQUENT EVENTS

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events were evaluated through March 18, 2022, the time at which the financial statements were available to be issued.

YO FRESH INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

YO FRESH INC.
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Yo Fresh Inc.

We have audited the accompanying financial statements of Yo Fresh Inc., which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations and accumulated deficit and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yo Fresh Inc. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, subsequent to year end, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Adoption of New Accounting Pronouncement

As discussed in Note 4 to the financial statements, Yo Fresh Inc. adopted Financial Accounting Standards Board Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as of January 1, 2019, using the modified retrospective transition method. Our opinion is not modified with respect to this matter.



CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
May 13, 2020

**YO FRESH INC.
BALANCE SHEETS
DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 318,656	\$ 257,223
Accounts receivable, net	50,706	156,166
Accounts receivable - advertising, net	32,702	73,895
Inventory	6,404	6,076
Due from affiliate	-	31,728
Prepaid expenses and other current assets	<u>5,105</u>	<u>13,325</u>
Total current assets	<u>413,573</u>	<u>538,413</u>
Property and equipment, less accumulated depreciation of \$47,425 in 2019 and \$43,988 in 2018	<u>1,992</u>	<u>3,160</u>
Other asset:		
Security deposit	18,049	18,049
Due from shareholders	<u>100,000</u>	<u>-</u>
Total other assets	<u>118,049</u>	<u>18,049</u>
TOTAL ASSETS	<u>\$ 533,614</u>	<u>\$ 559,622</u>
<u>LIABILITIES AND SHAREHOLDERS' DEFICIT</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 199,952	\$ 163,912
Funds committed for franchisee advertising	27,179	20,920
Other current liabilities	179	10,936
Deferred revenue - current	<u>31,700</u>	<u>-</u>
Total current liabilities	259,010	195,768
Long-term liability:		
Deferred revenue - net of current portion	<u>1,061,967</u>	<u>1,066,667</u>
Total liabilities	<u>1,320,977</u>	<u>1,262,435</u>
Commitments and contingencies (Notes 8, 9, and 10)		
Shareholders' deficit:		
Common stock - no par value, 150 shares issued and outstanding	110,000	110,000
Accumulated deficit	<u>(897,363)</u>	<u>(812,813)</u>
Total shareholders' deficit	<u>(787,363)</u>	<u>(702,813)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	<u>\$ 533,614</u>	<u>\$ 559,622</u>

See accompanying notes to financial statements.

YO FRESH INC.
STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues:			
Franchise fees and royalties	\$ 868,551	\$ 948,404	\$ 919,650
Yogurt sales	914,410	871,342	1,410,267
Franchisee advertising fees	357,482	334,418	351,676
Other revenues	<u>43,052</u>	<u>46,612</u>	<u>82,071</u>
Total revenues	<u>2,183,495</u>	<u>2,200,776</u>	<u>2,763,664</u>
Operating expenses:			
Cost of yogurt sales	817,592	776,962	1,268,763
Selling, general and administrative expenses	984,656	989,709	1,424,708
Franchise advertising expense	<u>357,482</u>	<u>334,418</u>	<u>351,676</u>
Total operating expenses	<u>2,159,730</u>	<u>2,101,089</u>	<u>3,045,147</u>
Income (loss) from operations	23,765	99,687	(281,483)
Other income	<u>3,042</u>	<u>5,533</u>	<u>48,323</u>
Income (loss) before benefit from income taxes	26,807	105,220	(233,160)
Benefit from income taxes	<u>-</u>	<u>-</u>	<u>(21,234)</u>
Net income (loss)	26,807	105,220	(211,926)
Accumulated deficit - beginning	(812,813)	(918,033)	(706,107)
Cumulative effect of change in accounting principle (Note 4)	<u>(111,357)</u>	<u>-</u>	<u>-</u>
ACCUMULATED DEFICIT - ENDING	<u>\$ (897,363)</u>	<u>\$ (812,813)</u>	<u>\$ (918,033)</u>

See accompanying notes to financial statements.

YO FRESH INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating activities:			
Net income (loss)	\$ 26,807	\$ 105,220	\$ (211,926)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	3,438	4,207	11,139
Provision for (recovery of) bad debt	(2,762)	14,950	4,426
Write-off of affiliate receivables	62,385	-	-
Realized gain on sale of marketable securities	-	-	36,006
Changes in assets and liabilities:			
Accounts receivable	149,415	(33,763)	31,088
Inventory	(328)	5,388	3,840
Due from affiliate	(30,657)	(31,728)	-
Prepaid expenses and other current assets	8,220	3,440	2,708
Security deposit	-	-	31,951
Due from shareholders	(100,000)	-	-
Accounts payable and accrued expenses	36,040	(12,193)	97,392
Funds committed for franchisee advertising	6,259	20,920	-
Deferred revenue	(84,357)	(177,500)	(50,000)
Other current liabilities	<u>(10,757)</u>	<u>(11,067)</u>	<u>(36,877)</u>
Net cash provided by (used in) operating activities	<u>63,703</u>	<u>(112,126)</u>	<u>(80,253)</u>
Investing activities:			
Additions to property and equipment	(2,270)	-	-
Proceeds from sale of marketable securities	<u>-</u>	<u>-</u>	<u>203,866</u>
Net cash provided by (used in) investing activities	<u>(2,270)</u>	<u>-</u>	<u>203,866</u>
Net increase (decrease) in cash and cash equivalents	61,433	(112,126)	123,613
Cash and cash equivalents - beginning	<u>257,223</u>	<u>369,349</u>	<u>245,736</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 318,656</u>	<u>\$ 257,223</u>	<u>\$ 369,349</u>
Supplemental disclosures of cash flow information:			
Cash paid during the year for taxes	<u>\$ 6,600</u>	<u>\$ 2,500</u>	<u>\$ 1,975</u>

See accompanying notes to financial statements.

YO FRESH INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Yo Fresh Inc. (the "Company") was formed on July 1, 2011, as a New York corporation. The Company sells franchises under the trademark "16 Handles," and provides know-how and experience to its franchisees in the sales and operations of its products for which it earns royalties and franchise fees. The Company currently only operates in the United States of America. Franchisees specialize in establishing and operating stores offering frozen yogurt and toppings in a self-serve environment using proprietary recipes, formulas and techniques, as well as a variety of non-proprietary and proprietary food, beverage, and other compatible items.

The Company also offers area development agreements ("ADAs") which grant the right to establish and operate a specified number of franchisee locations in a specified geographical area ("Development Area"). The Company charges development fees to franchisees for their corresponding Development Area. Franchisees who enter into ADAs are required to open franchisee locations in accordance with a mandatory development schedule. In the past, the Company signed an ADA with a large marketing firm in Saudi Arabia to open 150 franchisee locations throughout the Middle East. In 2015, there were three locations opened in the Middle East, which have since been closed. Fees collected for these development rights amounted to \$750,000, of which \$15,000 was recognized in prior years. The remaining development right fees of \$735,000 are included in "Deferred revenue" in the accompanying balance sheets as of both December 31, 2019 and 2018.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. 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 periods. Actual results could differ from those estimates.

Revenue recognition

Year ended December 31, 2019

The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("Topic 606") on January 1, 2019. The Company derives its revenues mainly from franchise revenue, marketing fund revenue, transfer fees, and yogurt sales.

YO FRESH INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Franchise fees and royalties

Contract consideration from franchisees primarily consist of initial or renewal franchise fees, area development fees, sales-based royalties, sales-based marketing fund fees and transfer fees payable by a franchisee for the transfer of their franchise unit to another franchisee. The Company also enters into ADAs which grant a franchisee the right to develop two or more franchise units. The Company collects an upfront area development fee for the grant of such rights. The initial franchise fees and upfront area development fees are nonrefundable and collected when the underlying franchise agreement or ADA is signed by the franchisee. Sales-based royalties and advertising fund fees are payable monthly. Renewal and transfer fees are payable when an existing franchisee renews the franchise agreement for an additional term or when a transfer to a third party occurs, respectively.

The Company's primary performance obligation under the franchise agreement mainly includes granting certain rights to access the Company's intellectual property and a variety of activities relating to opening a franchise unit, including training and other such activities commonly referred to collectively as "pre-opening activities." The Company has determined that certain training provided to the franchisee is not brand specific and provides the franchisee with relevant general business information that is separate and distinct from the operation of a company-branded franchise unit. The portion of training services provided that is not brand specific is deemed to be distinct as it provides a benefit to the franchisee and is not highly interrelated or interdependent to access the Company's intellectual property, and therefore is accounted for as a separate distinct performance obligation. All other pre-opening activities have been determined to be highly interrelated and interdependent to access the Company's intellectual property and therefore are accounted for as a single performance obligation, which is satisfied by granting certain rights to access the Company's intellectual property over the term of each franchise agreement.

The Company estimates the stand-alone selling price of training services that are not brand specific using an adjusted market assessment approach. The Company first allocates the initial franchise fees and the fixed consideration, under the franchise agreement to the stand-alone selling price of the training services that are not brand specific and the residual, if any, to the right to access the Company's intellectual property. Consideration allocated to training services that are not brand specific are recognized ratably as the training services are rendered.

Initial and renewal franchise fees allocated to the right to access the Company's intellectual property are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. ADAs generally consist of an obligation to grant the right to open two or more units. These development rights are not distinct from franchise agreements; therefore, upfront fees paid by franchisees for development rights are deferred and apportioned to each franchise agreement signed by the franchisee. The pro-rata amount apportioned to each franchise agreement is recognized as revenue in the same manner as the initial and renewal franchise fees.

YO FRESH INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Franchise fees and royalties (continued)

Royalties are earned based on a percentage of franchisee gross revenues. Franchise royalties represent sales-based royalties that are related entirely to the use of the Company's intellectual property and are recognized as franchisee sales occur and the royalty is deemed collectible.

Marketing fund

The Company maintains a marketing fund established to collect and administer funds contributed for use in advertising and promotional programs for franchise units. Advertising fees are collected from franchisees based on a percentage of franchisee gross revenues. The Company has determined that it acts as a principal in the collection and administration of the marketing fund and therefore recognizes the advertising revenues and advertising expenses related to the marketing fund on a gross basis. The Company has determined that the right to access its intellectual property and administration of the marketing fund are highly interrelated and therefore are accounted for as a single performance obligation. As a result, advertising revenues from the marketing fund represent sales-based fees related to the right to access the Company's intellectual property, which are recognized as franchisee sales occur. When advertising fees exceed the related advertising expenses in a reporting period, advertising costs are accrued up to the amount of advertising revenues recognized.

Yogurt sales and other revenue

Yogurt sales are recognized when product is delivered.

All other revenues are recognized when payment is received.

Revenue recognition through December 31, 2018

Royalties and franchisee advertising fees are recognized based on the franchisees' reported sales. Initial franchise fees are deferred until the Company has performed substantially all of the initial services pursuant to the franchise agreement, typically not until the related store is opened. The Company records deferred revenues when cash from initial fees is received.

Area development fees are deferred until individual franchise agreements within the respective territory are signed and all of the Company's initial services required pursuant to each franchise agreement have been performed or are satisfied. The Company records deferred area development fees when cash is received.

Royalties are recognized based on franchisees' reported sales. Initial franchise fees are deferred until substantially all of the Company's initial services required pursuant to the franchise agreement have been performed or satisfied, which is generally when franchised locations commence operations.

Yogurt sales are recognized when product is delivered.

All other revenues are recognized when payment is received.

YO FRESH INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable

Accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of some of its franchisees and distributors to make required payments. Management considers the following factors when determining the collectibility of specific franchisee and distributor accounts: franchisee and distributor creditworthiness, past transaction history with the franchisee and distributor, current economic industry trends, and changes in franchisee payment terms. If the financial conditions of the Company's franchisees or distributors were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible accounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has made reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivables.

Inventory

The Company carries a small amount of inventory for its affiliated locations. Inventory consists mainly of paper goods used by customers. Inventories are valued at the lower of cost or net realizable value using the first-in, first-out method.

Property and equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the property and equipment. Depreciation and useful lives are as follows:

Automobiles	5 years
Furniture and fixtures	7 years
Equipment	7 years

Income taxes

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code and New York State tax law to be taxed as an S corporation ("federal S corporation"). Therefore, no provision or liability for federal income and New York State taxes has been included in the financial statements. Certain specific deductions and credits are specifically allocable to the Company's shareholders. New York City does not recognize S corporation status; therefore, a provision is recorded for the New York City corporation tax on the alternative basis.

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*. Under that guidance, management assesses the likelihood that tax positions will be sustained upon examination based on the facts, circumstances and information, including the technical merits of those positions, available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

YO FRESH INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Franchised outlets

The following data represents the status of the Company's franchised outlets as of December 31, 2019, 2018 and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Franchises sold	-	-	2
Franchises purchased	-	-	-
Franchised outlets in operation	31	30	31
Affiliate-operated outlets in operation	1	4	3
Franchised outlets closed	2	4	3
Affiliate-operated outlets transferred to franchisees	3	-	-
Affiliate-operated outlets closed	-	-	2

Marketing fund

In connection with the Company's standard franchising agreements, the Company's franchisees pay marketing fund fees based on a percentage of their gross revenues. These funds are maintained and administered by the Company pursuant to the terms of the franchise agreements. The funds collected must be spent for the benefit of franchisee advertising and related matters. When the marketing funds are expended on behalf of the franchisees, the related marketing funds liability is reduced. As of December 31, 2019 and 2018, cash held in the marketing fund amounted to \$29,199 and \$15,886, respectively, and is included in "Cash and cash equivalents" in the accompanying balance sheets. Accounts receivable related to uncollected marketing fees from the franchisees are disclosed in Note 2. As of December 31, 2019 and 2018, the Company had unused marketing fund fees in excess of monies spent on marketing in the amount of \$27,179 and \$20,920, respectively, which are included in "Funds committed for franchisee advertising" in the accompanying balance sheets.

Reclassifications

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year presentation. These reclassification adjustments had no effect on the Company's previously reported net income (loss).

Recently issued but not yet effective accounting pronouncements

In February 2016, FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* ("ASU 2016-02"). This update requires all leases with a term greater than 12 months to be recognized on the balance sheet through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. FASB also issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*, and ASU No. 2018-11, *Leases: Targeted Improvements* in July 2018. These updates provide narrow amendments to clarify how to apply certain aspects of the new leases standard and options regarding transition. This option will not require prior periods to be restated at the adoption date. ASU 2016-02, as amended, is effective for fiscal years beginning after December 15, 2020, and the Company is currently evaluating the effect on its financial statements and related disclosures.

YO FRESH INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Company has evaluated subsequent events through May 13, 2020, the date on which these financial statements were available to be issued. Except for the events described in Notes 9 and 10, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 2. ACCOUNTS RECEIVABLE

Accounts receivables at December 31, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Royalty receivables	\$ 64,811	\$ 86,953
Distributor receivables	11,498	94,816
Marketing receivables	<u>54,253</u>	<u>95,446</u>
	130,562	277,215
Less: allowance for doubtful accounts	<u>47,154</u>	<u>47,154</u>
Accounts receivable, net	<u>\$ 83,408</u>	<u>\$ 230,061</u>

NOTE 3. REVENUES AND RELATED CONTRACT BALANCES

Disaggregated revenues

The Company derives its revenues from franchisees located throughout the Northeast, Florida and the Middle East. The economic risks of the Company's revenues is dependent on the strength of the economy in those geographical locations and the Company's ability to collect on its contracts. The Company disaggregates revenue from contracts with customers by geographic region and timing of revenue recognition by type of revenues, as it believes this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Franchise fees and royalty revenues by geographic region were as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Northeast	\$ 864,011	\$ 940,730	\$ 912,202
Florida	4,540	4,360	648
Middle East	<u>-</u>	<u>3,314</u>	<u>6,800</u>
Total	<u>\$ 868,551</u>	<u>\$ 948,404</u>	<u>\$ 919,650</u>

YO FRESH INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017

NOTE 3. REVENUES AND RELATED CONTRACT BALANCES (CONTINUED)

Disaggregated revenues (continued)

Franchise fees and royalty revenues by timing of recognition were as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Point in time:</i>			
Franchise fees and royalties	\$ <u>811,694</u>	\$ <u>745,904</u>	\$ <u>842,150</u>

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Over time:</i>			
Franchise fees and royalties	\$ <u>56,857</u>	\$ <u>202,500</u>	\$ <u>77,500</u>

Contract balances

Contract liabilities are comprised of unamortized initial and renewal franchise fees received from franchisees, which are presented as "Deferred revenue" on the accompanying balance sheets. A summary of significant changes in deferred franchise fees is as follows:

	<u>2019</u>
Deferred franchise revenues - beginning of year	\$ 1,178,024
Revenue recognized during the year	(84,357)
Additions for initial franchise fees received	<u>-</u>
Deferred franchise revenues - end of year	\$ <u>1,093,667</u>

Deferred franchise fees are expected to be recognized as revenue over the remaining term of the associated franchise agreement as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2020	\$ 31,700
2021	29,271
2022	20,113
2023	11,346
2024	5,000
Thereafter	<u>996,237</u>
Total	\$ <u>1,093,667</u>

Deferred franchise fees consisted of the following:

	<u>2019</u>	<u>2018</u>
Franchise units not yet opened	\$ 263,630	\$ 1,066,667
Opened franchise units	<u>830,037</u>	<u>-</u>
Total	\$ <u>1,093,667</u>	\$ <u>1,066,667</u>

YO FRESH INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017

NOTE 4. RECENTLY ADOPTED ACCOUNTING STANDARDS

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, with several clarifying updates issued subsequently. In conjunction with Topic 606, a new subtopic, ASC 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, was also issued. The updated standard replaces most existing revenue recognition and certain cost standards under U.S. GAAP, including industry-specific standards. Collectively, Topic 606 and Subtopic 340-40 are referred to as "ASC 606." ASC 606 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company adopted ASC 606 effective January 1, 2019, using the modified retrospective transition method. The cumulative effect of initially applying ASC 606 for all contracts not yet completed or substantially completed as of January 1, 2019, resulted in an increase to accumulated deficit of \$111,357. The increase primarily resulted from the change in recognition of franchise fees upon the adoption of ASC 606.

Had the Company not adopted ASC 606, net income for the year ended December 31, 2019, would have decreased by \$29,357.

The Company elected to use the following transition practical expedients provided in ASC 606:

- ASC 606 was applied only to contracts that were not complete as of January 1, 2019.
- The measurement of the transaction price excludes all taxes assessed by governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the Company from a customer.
- The value of unsatisfied performance obligations for contracts with an original expected length of one year or less has not been disclosed.
- The Company reflected the aggregate effect of all contract modifications that occurred prior to January 1, 2019, when:
 - identifying the satisfied and unsatisfied performance obligations,
 - determining the transaction price, and
 - allocating the transaction price to the satisfied and unsatisfied performance obligations.

Contract modifications were minimal on uncompleted contracts at January 1, 2019; therefore, there was not a significant impact as a result of electing these practical expedients.

The prior year comparative information has not been restated and continues to be reported under the accounting standards in effect in those periods; however, certain balances have been reclassified to conform to the current year presentation.

YO FRESH INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017

NOTE 4. RECENTLY ADOPTED ACCOUNTING STANDARDS (CONTINUED)

The effect of the changes made to the Company's balance sheet on January 1, 2019, for the adoption of ASC 606 were as follows:

	As reported December 31, 2018	Total adjustments due to adoption of ASC 606	As of January 1, 2019
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 257,223	\$ -	\$ 257,223
Accounts receivable, net	156,166	-	156,166
Accounts receivable - marketing, net	73,895	-	73,895
Inventory	6,076	-	6,076
Due from affiliate	31,728	-	31,728
Prepaid expenses and other current assets	<u>13,325</u>	<u>-</u>	<u>13,325</u>
Total current assets	538,413	-	538,413
Property and equipment, net	3,160	-	3,160
Other asset:			
Security deposit	<u>18,049</u>	<u>-</u>	<u>18,049</u>
TOTAL ASSETS	<u>\$ 559,622</u>	<u>\$ -</u>	<u>\$ 559,622</u>
<u>LIABILITIES AND SHAREHOLDERS' DEFICIT</u>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 163,912	\$ -	\$ 163,912
Funds committed for franchisee advertising (a)	20,920	-	20,920
Other current liabilities	10,936	-	10,936
Deferred revenue - current	<u>-</u>	<u>56,857</u>	<u>56,857</u>
Total current liabilities	195,768	56,857	252,625
Long-term liability:			
Deferred revenue (b)	<u>1,066,667</u>	<u>54,500</u>	<u>1,121,167</u>
Total liabilities	<u>1,262,435</u>	<u>111,357</u>	<u>1,373,792</u>
Shareholders' deficit:			
Common stock	110,000	-	110,000
Accumulated deficit	<u>(812,813)</u>	<u>(111,357)</u>	<u>(924,170)</u>
Total shareholders' deficit	<u>(702,813)</u>	<u>(111,357)</u>	<u>(814,170)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	<u>\$ 559,622</u>	<u>\$ -</u>	<u>\$ 559,622</u>

- (a) Represents the balance owed to franchisees for marketing income not spent during the year
(b) Represents initial and renewal franchise fees and area development fees which are deferred and amortized over the term of the associated franchise agreement.

YO FRESH INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017

NOTE 4. RECENTLY ADOPTED ACCOUNTING STANDARDS (CONTINUED)

The impact of the adoption of ASC 606 on the Company's balance sheet, statement of operations and accumulated deficit and cash flows as of and for the year ended December 31, 2019, were as follows:

Balance sheet

	As reported December 31, 2019	Total adjustments due to adoption of ASC 606	Amounts under previous standards
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 318,656	\$ -	\$ 318,656
Accounts receivable, net	50,706	-	50,706
Accounts receivable - advertising, net	32,702	-	32,702
Inventory	6,404	-	6,404
Prepaid expenses and other current assets	<u>5,105</u>	<u>-</u>	<u>5,105</u>
Total current assets	<u>413,573</u>	<u>-</u>	<u>413,573</u>
Property and equipment, net	<u>1,992</u>	<u>-</u>	<u>1,992</u>
Other asset:			
Security deposit	18,049	-	18,049
Due from shareholders	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total other assets	<u>118,049</u>	<u>-</u>	<u>118,049</u>
TOTAL ASSETS	<u>\$ 533,614</u>	<u>\$ -</u>	<u>\$ 533,614</u>

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)

Current liabilities:			
Accounts payable and accrued expenses	\$ 199,952	\$ -	\$ 199,952
Funds committed for franchisee advertising (a)	27,179	-	27,179
Other current liabilities	179	-	179
Deferred revenue- current (b)	<u>31,700</u>	<u>(31,700)</u>	<u>-</u>
Total current liabilities	259,010	(31,700)	227,310
Long-term liability:			
Deferred revenue - net of current portion (b)	<u>1,061,967</u>	<u>(50,300)</u>	<u>1,011,667</u>
Total liabilities	<u>1,320,977</u>	<u>(82,000)</u>	<u>1,238,977</u>
Shareholders' equity (deficit):			
Common stock	110,000	-	110,000
Accumulated deficit	<u>(897,363)</u>	<u>82,000</u>	<u>(815,363)</u>
Total shareholders' equity (deficit)	<u>(787,363)</u>	<u>82,000</u>	<u>(705,363)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	<u>\$ 533,614</u>	<u>\$ -</u>	<u>\$ 533,614</u>

(a) Represents the balance owed to franchisees for marketing income not spent during the year
(b) Represents initial and renewal franchise fees and area development fees which are deferred and amortized over the term of the associated franchise agreement.

YO FRESH INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017

NOTE 4. RECENTLY ADOPTED ACCOUNTING STANDARDS (CONTINUED)

Statement of operations and accumulated deficit

	As reported for the year ended December 31, 2019	Total adjustments due to the adoption of ASC 606	Amounts under previous standards
Revenues:			
Franchise fees and royalties	\$ 868,551	\$ (29,357)	\$ 839,194
Yogurt sales	914,410	-	914,410
Franchisee advertising fees	357,482	-	357,482
Other revenues	<u>43,052</u>	<u>-</u>	<u>43,052</u>
Total revenues	<u>2,183,495</u>	<u>(29,357)</u>	<u>2,154,138</u>
Operating expenses:			
Cost of yogurt sales	817,592	-	817,592
Selling, general and administrative	984,656	-	984,656
Franchise advertising expense	<u>357,482</u>	<u>-</u>	<u>357,482</u>
Total operating expenses	<u>2,159,730</u>	<u>-</u>	<u>2,159,730</u>
Income (loss) from operations	23,765	(29,357)	(5,592)
Other income	<u>3,042</u>	<u>-</u>	<u>3,042</u>
Income (loss) before provision for income taxes	26,807	(29,357)	(2,550)
Provision for income taxes	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss)	26,807	(29,357)	(2,550)
Accumulated deficit - beginning	(812,813)	-	(812,813)
Cumulative effect of change in accounting principle	<u>(111,357)</u>	<u>111,357</u>	<u>-</u>
ACCUMULATED DEFICIT - ENDING	<u>\$ (897,363)</u>	<u>\$ 82,000</u>	<u>\$ (815,363)</u>

YO FRESH INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017

NOTE 4. RECENTLY ADOPTED ACCOUNTING STANDARDS (CONTINUED)

Statement of cash flows

	As reported for the year ended December 31, 2019	Total adjustments due to the adoption of ASC 606	Amounts under previous standards
Cash flows from operating activities:			
Net income (loss)	\$ 26,807	\$ (29,357)	\$ (2,550)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	3,438	-	3,438
Recovery of bad debt	(2,762)	-	(2,762)
Write-off of affiliate receivables	62,385	-	62,385
Changes in assets and liabilities:			
Accounts receivable	149,415	-	149,415
Inventory	(328)	-	(328)
Due from affiliate	(30,657)	-	(30,657)
Due from shareholders	(100,000)	-	(100,000)
Prepaid expenses and other current assets	8,220	-	8,220
Accounts payable and accrued expenses	36,040	-	36,040
Funds committed for franchisee advertising	6,259	-	6,259
Deferred revenue (a)	(84,357)	29,357	(55,000)
Other current liabilities	(10,757)	-	(10,757)
Net cash provided by operating activities	<u>\$ 63,703</u>	<u>\$ -</u>	<u>\$ 63,703</u>

(a) Represents initial and renewal franchise fees which are deferred and amortized over the term of the associated franchise agreement.

NOTE 5. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash, cash equivalents and receivables.

Cash and cash equivalents

The Company's cash is placed with a large financial institution. Management believes that this limits the Company's exposure to credit risk. However, at December 31, 2019 and 2018, and at various times during the years then ended, the Company may have maintained balances in this institution in excess of amounts insured by the Federal Deposit Insurance Corporation.

Accounts receivable

Concentration of credit risk with respect to receivables is limited due to the large number of franchisees in the Company's customer base and their geographic dispersion. The Company provides an allowance for doubtful royalties equal to the estimated collection losses based on historical experience coupled with a review of the current status of existing receivables.

YO FRESH INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 27,514	\$ 27,514
Equipment and automobiles	<u>21,903</u>	<u>19,634</u>
	49,417	47,148
Less: accumulated depreciation and amortization	<u>47,425</u>	<u>43,988</u>
Property and equipment, net	<u>\$ 1,992</u>	<u>\$ 3,160</u>

Depreciation and amortization expense for the years ended December 31, 2019, 2018 and 2017, amounted to \$3,438, \$4,207 and \$11,139, respectively.

NOTE 7. INCOME TAXES

The Company's benefit from income taxes for the year ended December 31, 2017, was \$21,234. There was no benefit from income taxes for the years ended December 31, 2019 and 2018.

NOTE 8. COMMITMENTS AND CONTINGENCIES

The Company has entered into an operating lease agreement for office space which expires during 2023. Future annual minimum payments under noncancellable operating leases for office space as of December 31, 2019, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2020	\$ 66,174
2021	68,159
2022	70,204
2023	<u>11,758</u>
Total minimum lease payments	<u>\$ 216,295</u>

Rental expenses and other operating lease expenses for the years ended December 31, 2019, 2018 and 2017, were \$62,987, \$75,049 and \$228,260, respectively.

NOTE 9. RELATED-PARTY TRANSACTIONS

Due from affiliates

As of December 31, 2018, the Company had affiliates that operated four franchised locations that are 50% owned by two shareholders of the Company and 50% owned by unrelated franchisees. During 2019, three of these affiliate-operated franchised locations were transferred to third-party franchisees. The Company earned royalty income from these affiliates totaling \$21,963, \$33,237 and \$19,350 for the years ended December 31, 2019, 2018 and 2017, respectively, included in "Franchise fees and royalties" in the accompanying statements of operations and accumulated deficit. Unpaid royalty income from these affiliates totaled \$565 and \$13,239 as of December 31, 2019 and 2018, respectively, and is included in "Accounts receivable, net" in the accompanying balance sheets. All amounts due from these affiliates are non-interest bearing and due on demand.

YO FRESH INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017

NOTE 9. RELATED-PARTY TRANSACTIONS (CONTINUED)

Due from affiliates (continued)

In January 2018, one franchisee location was converted to an affiliate-operated location. As of December 31, 2019 and 2018, the outstanding receivables related to the previously franchised location, as well as the receivables related to this franchisee's other two locations, of approximately \$33,581 and \$54,702 are included in "Accounts receivable, net" in the accompanying balance sheets, respectively.

Related-party receivable

In 2018, the Company provided advances to an affiliated franchise location, in which two of the Company's shareholders owned an aggregate of 50% of the franchisee's equity interests, to help support franchisee operations. As of December 31, 2018, the amount advanced to the affiliated franchise totaled \$31,728 and is included in "Due from affiliate" on the accompanying balance sheet. During 2019, the Company advanced an additional \$30,657 to the affiliated franchise, for a total of \$62,385. On August 9, 2019, this affiliated franchise was transferred to a third-party franchisee and this receivable was deemed uncollectible, written-off and included in "Selling, general and administrative expenses" in the accompanying statement of operations and accumulated deficit for the year ended December 31, 2019.

Due from shareholders

As of December 31, 2019, the Company advanced \$100,000 to four shareholders. The advances are non-interest bearing and will be repaid by December 31, 2024 and are included in "Due from shareholders" in the accompanying balance sheets. In addition, in January 2020, the Company advanced an additional \$250,000 to the same four shareholders, which will also be repaid by December 31, 2024 and is non-interest bearing.

NOTE 10. SUBSEQUENT EVENTS

Coronavirus pandemic

During the 2020 calendar year, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." The Company's business has been materially and adversely affected by the outbreak of COVID-19, particularly in regions where it derives significant amounts of revenue or profit or where its suppliers and business partners are located. These events have significantly impacted the Company's industry and have reduced franchisee customer traffic, reduced franchisee operating hours and caused temporary closures of franchisee businesses, which has severely disrupted its operations and has had a material adverse effect on business, financial condition and results of operations. The Company is assessing the impact the outbreak has on its business and is developing plans to generate sufficient revenue and is consistently analyzing expenses in order to control the impact the outbreak has on its business. Given the uncertainties surrounding the duration of the outbreak and its impact, the Company cannot reasonably estimate the related financial impact to its full-year 2020 financial results; however, it expects the impact to be material.

YO FRESH INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017

NOTE 10. SUBSEQUENT EVENTS (CONTINUED)

Paycheck Protection Program

On April 17, 2020, the Company received loan proceeds of approximately \$120,165 under the Paycheck Protection Program ("PPP"). The PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The loan and accrued interest, or a portion thereof, may be forgiven after eight weeks so long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, mortgage interest and utilities, and maintains its payroll levels. Not more than 25% of the amount forgiven can be attributable to non-payroll costs. The amount of loan forgiveness will be reduced by any amounts received by the Company as an advance as part of the Economic Injury Disaster Loan ("EIDL") program, made available through the Small Business Administration, that is ultimately converted to a grant.

The PPP loan matures two years from the date of first disbursement of proceeds to the Company (the "PPP Loan Date") and accrues interest at a fixed rate of 1%. Payments are deferred for the first six months and payable in 18 equal consecutive monthly installments of principal and interest commencing on the seven-month anniversary of the PPP Loan Date.

The Company currently intends to use the proceeds for purposes consistent with the PPP; however, there can be no assurances that the Company will ultimately meet the conditions for forgiveness of the loan or that it will not take actions that could cause the Company to be ineligible for forgiveness of the loan, in whole or in part.

EXHIBIT H TO THE DISCLOSURE DOCUMENT
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EXHIBIT I TO THE DISCLOSURE DOCUMENT
FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

As you know, Yo Fresh Inc. (the “**Franchisor**”) and you are preparing to enter into a franchise agreement (the “**Franchise Agreement**”) for the establishment and operation of a 16 Handles Store (the “**Store**”). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor (“**Broker**”) that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Store from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Store from an existing Franchisee?

Yes _____ No _____

2. I had my first face-to-face meeting with a Franchisor representative on _____, 20____.

3. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

4. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

5. Have you received and personally reviewed the Franchisor’s Disclosure Document that was provided to you?

Yes _____ No _____

6. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes _____ No _____

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary.)

8. Have you discussed the benefits and risks of establishing and operating a Store with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your Store will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes _____ No _____

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Store operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Store will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Store that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

14. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Store?

Yes _____ No _____

15. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or franchise agreement?

Yes _____ No _____

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? _____

If you have answered No to question 9, or Yes to any one of questions 10-17, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 9, and No to each of questions 10-17, please leave the following lines blank.

I signed the Franchise Agreement and Addendum (if any) on _____, 20____, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

- (i) a person or entity listed in the Annex to the Executive Order;
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or
- (iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Acknowledged this _____ day of _____, 20____.

Sign here if you are taking the franchise as an

INDIVIDUAL

Signature

Print Name_____

Signature

Print Name_____

Signature

Print Name_____

Signature

Print Name_____

Sign here if you are taking the franchise as a

**CORPORATION, LIMITED LIABILITY
COMPANY OR PARTNERSHIP**

Print Name of Legal Entity

By:_____
Signature

Print Name_____

Title_____

EXHIBIT J TO THE DISCLOSURE DOCUMENT
FORM OF GENERAL RELEASE

THIS AGREEMENT ("Agreement") is made and entered into this ____ day of _____, 20__ by and between Yo Fresh Inc., a New Jersey limited liability company having its principal place of business located 95 Christopher Columbus Dr., 16th Floor, Jersey City, NJ 07302 (the "Franchisor"), and _____, an individual residing at _____ (hereinafter referred to as "Releasor"), wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein are set forth, do agree as follows:

1. Release by Releasor:

Releasor does for itself, its successors and assigns, hereby release and forever discharge generally the Franchisor and any affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, or agent of any of them, from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Releasor may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with the Agreement, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Franchisor, any affiliate, successor, assign, parent corporation, subsidiary, director, officer, shareholder, employee, agent, executor, administrator, estate, trustee or heir, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Agreement. In the event Releasor breaches any of the promises covenants, or undertakings made herein by any act or omission, Releasor shall pay, by way of indemnification, all costs and expenses of the Franchisor caused by the act or omission, including reasonable attorneys' fees.

2. Releasor hereto represents and warrants that no portion of any claim, right, demand, obligation, debt, guarantee, or cause of action released hereby has been assigned or transferred by Releasor party to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law. In the event that any claim, demand or suit shall be made or institute against any released party because of any such purported assignment, transfer or subrogation, the assigning or transferring party agrees to indemnify and hold such released party free and harmless from and against any such claim, demand or suit, including reasonable costs and attorneys' fees incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

3. Each party acknowledges and warrants that his, her or its execution of this Agreement is free and voluntary.

4. New Jersey law shall govern the validity and interpretation of this Agreement, as well as the performance due thereunder. This Agreement is binding upon and inures to the benefit of the respective assigns, successors, heirs and legal representatives of the parties hereto.

5. In the event that any action is filed to interpret any provision of this Agreement, or to enforce any of the terms thereof, the prevailing party shall be entitled to its reasonable attorneys' fees and costs incurred therein, and said action must be filed in the State of New Jersey.

6. This Agreement may be signed in counterparts, each of which shall be binding against the party executing it and considered as the original.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed this agreement effective as of the date first above.

Witness:

RELEASOR:

(Name)

Witness:

YO FRESH INC.:

By: _____
Name: _____
Title: _____

EXHIBIT K TO THE DISCLOSURE DOCUMENT

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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
Florida (exemption)	Pending Registration
New York	Pending Registration
Texas	Effective

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT K TO THE DISCLOSURE DOCUMENT

RECEIPTS

RECEIPT
(KEEP THIS COPY FOR YOUR RECORDS)

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

If Yo Fresh Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Yo Fresh Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

The franchisor is Yo Fresh Inc., located 95 Christopher Columbus Dr., 16th Floor, Jersey City, NJ 07302. Its telephone number is (551) 222-6043.

Issuance Date: March 31, 2022.

The name, principal business address and telephone number of the franchise seller for this offering is: _____.

Yo Fresh Inc. authorizes the agents listed in Exhibit A to receive service of process for it.

I have received a disclosure document dated March 31, 2022 that included the following Exhibits:

A – List of State Administrators/Agents for Service of Process
B – Franchise Agreement
C – Area Development Agreement
D – State Specific Addendum
E- List of Franchisees and Area Developers
F- List of Franchisees and Area Developers Who Have Left The System

G- Financial Statements
H – Table of Contents of Operations Manual
I – Financial Statements
J – Form of General Release
K – State Effective Dates
L – Receipts

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

You may return the signed receipt either by signing, dating and mailing it to Yo Fresh Inc. at 95 Christopher Columbus Dr., 16th Floor, Jersey City, NJ 07302 or by faxing a copy of the signed and dated receipt to Yo Fresh Inc. at (646) 626-6450.

RECEIPT
(RETURN THIS COPY TO US)

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 Yo Fresh Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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Date: _____
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