FRANCHISE DISCLOSURE DOCUMENT

16 HANDLES FRANCHISING LLC
a Delaware limited liability company
450 Park Avenue South, Floor 3
New York, NY 10016
(551) 222-6043
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 $249,500 to $656,500. 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, with a minimum of three stores required. The total investment necessary to enter into a development agreement for the right to develop three Stores is $294,500 to $701,500, 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 Frederick Frey, 450 Park Avenue South, Floor 3, New York, NY 10016**,** (551) 222-6043**,** Franchise@16Handles.com.

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

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

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

Issuance Date: April 2, 2025

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 a 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.

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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.

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

3. **Financial Condition.** This 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.

4. **Short Operating History.** This Franchisor is at an early state of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise with a longer operating history.

5. **Supplier Control.** You must purchase all or nearly all of the inventory and supplies necessary to operate your business from Franchisor, its affiliates, or from suppliers that Franchisor designates at prices that the Franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.

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

The Franchisor is 16 HANDLES FRANCHISING LLC, a Delaware limited liability company, referred to as "we," "us," or "our." We also do business under the name "16 Handles®." "You" means a person who buys the right to operate a 16 Handles® Store from us. If you are a corporation, partnership or other entity, certain provisions of our Franchise Agreement also will apply to your owners. This disclosure document will indicate when your owners also are covered by a particular provision.

We are a Delaware limited liability company formed on June 14, 2022. On August 12, 2022, we filed as a foreign corporation in New York. Our current principal business address is 450 Park Avenue South, Floor 3, New York, NY 10016. Our registered agent for service of process in Delaware is LegalInc. Corporation Services, Inc., 651 N Broad Street, Suite 201, Middletown, DE 19709. If we have a separate registered agent for a particular state, it is disclosed in Exhibit A to this disclosure document.

We conduct business under our corporate name and under the trade and word and image service marks "16 Handles®," ("Trademarks" or "Marks") and associated logos, designs, symbols and trade dress. We began offering franchises on September 12, 2022. We have not conducted a business of the type you will be operating and do not engage in any types of business activities other than franchising and providing services to our franchisees. However, as of the issuance date of this disclosure document, our affiliates (identified on Exhibit E) operate 16 Handles® Stores similar to the one you will operate under the Franchise Agreement. We have not offered, nor do we currently offer, franchises in other lines of business

Our Parents, Predecessors and Affiliates

We do not have any parents.

Our predecessor is Yo Fresh Inc., a New York corporation headquartered at 95 Christopher Columbus Drive, 16th Floor, Jersey City, NJ 07302 ("Predecessor"). On August 19, 2022 our Predecessor assigned all of its assets, including all franchise agreements, to us. Our Predecessor offered franchises between November 2011 and July 2022. Our Predecessor does not currently and has not offered franchises in any other line of business.

Our affiliates listed below own and operate six 16 Handles stores in New York, New York:

Affiliate Name	Affiliate Address	Affiliate Organized	State of Organization
East Village Froyo, LLC	153 2nd Avenue New York, NY 10003	July 22, 2019	New York
Murray Hill Froyo, LLC	428 Third Avenue New York, NY 10003	December 7, 2018	New York
Tribeca Froyo, LLC	155 Chambers Street New York, NY 10007	January 7, 2020	New York
Chelsea Froyo, LLC	178 8th Avenue, New York, NY 10011	June 18, 2019	New York

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Affiliate Name	Affiliate Address	Affiliate Organized	State of Organization
Amsterdam Ave Froyo, LLC	325 Amsterdam Avenue New York, NY 10023	August 26, 2022	New York
East 82 Froyo, LLC	1569 2nd Avenue New York, NY 10023	August 25, 2022	New York

Our affiliates have never offered, nor do they currently offer, franchises in any line of business. You are not required to purchase or lease anything from our affiliates, nor do our affiliates offer products or services to franchisees.

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.

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.

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 a Developer.

Area Developers must sign our then-current form of Franchise Agreement for each Store opened, which may differ from the Franchise Agreement in this disclosure document. Area Developer 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 then-current Franchise Agreement (which may differ from the current Franchise Agreement included with this Franchise Disclosure Document.) 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

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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. 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 and Managing Member – Neil Hershman
Mr. Hershman led the acquisition of 16 Handles from the Predecessor and has been Chief Executive Offer since August 2022. Mr. Hershman owns and operates numerous retail shops in New York City, including a number of 16 Handles locations.

Chief Creative Officer – Daniel Duncan
Mr. Duncan joined 16 Handles Franchising LLC during the acquisition in August 2022 and currently helps oversee overall brand vision and key marketing initiatives.

VP of Operations and Training – Lisa Mallon
Ms. Mallon has been with 16 Handles since August 2022, serving as Vice President of Operations and Training. She oversees franchisee relations, operational compliance, training programs, and business development. In addition to her corporate role, Lisa co-owns the 16 Handles location in Fairfield, CT, bringing firsthand experience to her leadership in franchise operations.

VP of Franchise Development – Frederick Frey
Mr. Frey has been our Vice President of Franchise Development since February 2025. From January 2024 to February 2025 Mr. Frey was Director of Franchise Recruitment for Shipley Do-Nuts in Houston, TX. From June 2021 to January 2024 Mr. Frey was Franchise Development Manager for HteaO in Fort Worth, TX. From September 2020 to June 2021 Mr. Frey was Relationship Manager for ClientWise in Irving, TX. From June 2020 to September 2020 Mr Frey was Senior Financial Consultant for TD Ameritrade in Orlando, FL. From March 2019 to June 2020 Mr. Frey was Senior Financial Advisor for Merrill Lynch. From January 2011 to March 2019 Mr. Frey was Premier Banker 2 AVP for Wells Fargo Bank/Wells Fargo Advisors in Lake Mary, FL.

Controller – Edwina Arroyo
Ms. Arroyo is our Controller and is tasked with managing our inventory across distribution partners, as well as royalty invoicing. Ms. Arroyo joined 16 Handles Franchising in August 2017.

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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, payable in a lump sum. 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.

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ITEM 6: OTHER FEES

Type of Fee (Note 1)	Amount	Date Due	Remarks
Royalty	6% of Gross Sales	On the 15th and last day of each month (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	On the 15th and last day of each month	The Brand Development Fund is described in Item 11.
Local Marketing	$10,000 yearly unless otherwise approved by us	Must be spent yearly	As of the issuance date of this disclosure document we are flexible about the Local Marketing spend and will reduce if reasonable and necessary in your market. The amount is payable to local marketing providers or online search engines. We must approve all local marketing before its use.
Cooperative Marketing	Not more than 1% of Gross Sales	As determined by the cooperative members	As of the issuance date of this disclosure document, we do not have any Cooperatives to which we require franchisees contribute. 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	Up to a maximum of $1000 annually.	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.

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Type of Fee (Note 1)	Amount	Date Due	Remarks
Technology Fee	Currently $95 per month.	On the last day of each month	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. This fee currently covers a dedicated email address, brand portal access, mobile app integrations and hosting, and loyalty and customer feedback programs. 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
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

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Type of Fee (Note 1)	Amount	Date Due	Remarks
POS System License Fee	Then-current fee charged by our designated supplier, currently $89/month ($1,068 annually) 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 up to $3,600 annually. 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) charged by suppliers necessary to participate in these programs.
Loyalty/Frequent Buyer Program	Currently included in the POS System License Fee	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 charged by the supplier	As needed	Payable to local supplier. Each of your managers and other personnel we designate must be ServSafe certified
Management Fee	15% of Gross Sales, plus expenses	If incurred	We have the right to step in and manage your Store in certain circumstances

Type of Fee (Note 1)	Amount	Date Due	Remarks
Product/Supplier Testing	Up to the greater of $1,000 or our expenses.	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. If, through no fault of yours, your Store is damaged or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) days thereafter, you shall have forty-five (45) days after such event in which to apply for our approval to relocate and/or reconstruct your Store and, in such event, the relocation fee shall be waived.

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	Actual costs up to a maximum of $1000 per day.	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	May be up to $1,000 per month depending on your location and claim history.	On demand	We have the right (but not the obligation) to buy insurance coverage if you do not do so
Costs and Attorneys' Fees	Actual costs	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	Actual costs	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	Actual costs	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

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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 (Note 3)	$5,000 to $30,000	As arranged	As arranged	Landlord
Utility and Other Deposits (Note 4)	$0 to $3,000	As arranged	As arranged	Utility companies and Others
Architect and Design Fees (Note 5)	$7,500 to $20,000	As arranged	As arranged	Approved architect and design company
Leasehold Improvements (Note 6)	$60,000 to $180,000	As arranged	As arranged	Approved independent contractors
Exterior Signage (Note 7)	$5,000 to $12,000	As arranged	As arranged	Suppliers
Furniture, Fixtures and Equipment (Including Soft Serve Machines) (Note 8)	$110,000 to $310,000	As arranged	As arranged	Suppliers
Smallwares (Note 9)	$5,000 to $10,000	As arranged	As arranged	Suppliers
POS System; License Fee (Note 10)	$1,000 to $1,500	As arranged	As arranged	Approved suppliers
Back-Office Computer, Office Equipment and Supplies (Note 11)	$500 to $2,000	As incurred	As arranged	Suppliers
Business Licenses & Permits (Note 12)	$500 to $2,000	As incurred	As arranged	Local, state and other government agencies
Professional Fees (Note 13)	$500 to $5,000	As arranged	As arranged	Accountant; Attorney; Architect

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Type of Expenditure	Amount	When Payable	Method of Payment	To Whom Payment is to be Made (Note 1)
Initial Inventory of Food and Paper Supplies (Note 14)	$8,000 to $15,000	As incurred	As arranged	Approved suppliers
Insurance (Initial 3 Months) (Note 15)	$1,000 to $3,000	As arranged	As arranged	Insurance providers
Training Expenses (Travel and Accommodation) (Note 16)	$500 to $3,000	As arranged	As arranged	Airlines, Hotels, Stores, Employees
Grand Opening Marketing (Note 17)	$10,000	In first 60 days of operation	As arranged	Suppliers
Additional Funds (for initial period of operations) (Note 18)	$5,000 to $20,000	As needed	As arranged	Us, suppliers, employees and other creditors
TOTAL ESTIMATED INITIAL INVESTMENT	**$249,500 to $656,500**			

In general, none of the expenses listed in the above chart are refundable. 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.

2. ***Franchise Fee*** – The Franchise Fee is $30,000 for the first Franchised Store, $25,000 for the second Franchised Store and $20,000 for the third and each additional Franchised Store. 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, cost of materials, 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 electrical 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. ***Exterior Signage*** – The estimate includes the costs for 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

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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 Equipment*** – Our estimates include eight soft serve machines, a walk-in cooler, storage freezers, merchandiser coolers, a service counter, tables, chairs, benches, plumbing fixtures, wall décor, specialty lights, audio equipment, menu TV's, and a web-based security system. The lower end of the estimate assumes that the soft serve machines or other equipment will be leased or financed, or purchased on the secondary market, and the higher end of the estimate assumes that they will be purchased new with warranty for a large and store with 30+ seats. The cost of leasing or financing soft serve machines or kitchen equipment will depend on several factors including your credit history and market conditions. Leasing or financing equipment may require upfront payments for the 1st month and additional months.

9. ***Smallwares*** – Our estimates include smallwares such as dishes, utensils, wire shelving, garbage receptacles, and other miscellaneous kitchen equipment.

10. ***POS System and Back Office Computer; License Fee*** – You must purchase or lease the point-of-sale system that we specify, which typically includes a POS System with two terminals, scales, and receipt printers. You will be required to use the software we designate in connection with your POS System. See Item 11 for additional information on the required systems.

11. ***Office Equipment and Supplies*** – These amounts include costs of a back-office computer and printer that meets our System standards, 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*** – You may 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.

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16. ***Training Expenses*** – We will provide instructors and instructional materials at no charge for you and up to 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 $10,000 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. You should take into account the cash outlays and probable losses that you may incur while you are trying to get established. We relied on our franchisees' and affiliate's experiences in operating Stores to determine these estimates.

B. Development Agreement

YOUR ESTIMATED INITIAL INVESTMENT[1]

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]	$219,500 to $626,500	See Chart A of this Item 7.		
TOTAL	**$294,500 to $701,500**	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.

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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.

Our Chief Executive Officer and Managing Member, Neil Hershman, owns an interest in Do Cookie Dough, LLC, which franchisees may, but are not required to, purchase edible cookie dough products from. No other franchisor officer currently owns an interest in any supplier.

As of the issuance date of this disclosure document, neither we, nor any of our affiliates, are an approved supplier for any items that you must purchase in connection with your Franchised Store. We do,

however, reserve the right to be an approved supplier or appoint an affiliate as an approved supplier in the future.

During our fiscal year ending December 31, 2024, we derived $175,021 from required franchisee purchased and leases, which is 9.3% of our total revenue of $1,883,161.

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 of the greater of $1,000 or the actual 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

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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

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Obligation	Section(s) in Franchise Agreement	Section(s) in Area Development Agreement	Disclosure Document Item
(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
(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, 16 Handles Franchising, LLC 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 provide you with access to the Extranet to view our Manual for the duration of your Franchise Agreement (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. Currently, we do not provide equipment, signs, fixtures, opening inventory, or supplies. We only provide

the name of approved suppliers and our written specifications for these items. We do not deliver or install these items.

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 14 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 120 days 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.) You must be open and operating within eight months of our approval of your site, which means that if you were to take the entire time allotted for each stage (site approval (180 days) and lease execution (120 days)) you must be open and operating not later than 14 months after execution of your Franchise Agreement. If we and you cannot agree on a site or the terms of your lease or purchase agreement, we may terminate your Franchise Agreement.

Time to Open Store Granted Under an Area Development Agreement

We must approve 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. The sites you select for your additional Franchised Stores must meet our criteria for demographic characteristics, traffic patterns, parking, character of neighborhood, competition from and proximity to other businesses and other 16 Handles® branded Stores, the nature of other businesses in proximity to your Franchised Stores, evidence of your ability to maintain appropriate capitalization, and other commercial characteristics and the size, appearance and other physical characteristics of the proposed site. Our criteria, and our evaluation of them, may vary periodically and from location to location. The time to open each store is governed by each individual franchise agreement as explained in the paragraph above.

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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.

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. (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

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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. 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 6 to 9 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 8 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. 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, credit card processing, 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 $1,000 to $1,500, which includes a POS System with two terminals, respectively. You must use our current designated supplier, Toast, for the POS System. A typical POS System 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 with direct ethernet plug ins at

your POS System. 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. Currently the annual POS System License Fee is $1,068.

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, which may cost you up to $3,600 per year. 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

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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.

So long as you comply with our standards, which we will determine in our sole and absolute discretion, you may promote your Store and/or using the Proprietary Marks in any manner on social and/or networking Websites, such as Facebook, LinkedIn, Yelp, Instagram, Snapchat, TikTok and X, without our prior written consent; provided that if we request you remove any promotion, you must do so immediately. You must comply with our System standards regarding the use of social media in your Store's operation ("social media" includes personal blogs, common social networks like Facebook and professional networks like Facebook, LinkedIn, Yelp, Instagram, Snapchat, TikTok and/or X, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). We reserve the right to conduct collective/national campaigns via local social media on your behalf.

Marketing

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 do not contribute to the Brand Development Fund on the same basis as our franchisees. Stores owned by us may contribute in the future but are not required to and may not. 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, social media, 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 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 Instagram; 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

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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, 2024, we had the following Brand Development Fund expenditures: 8.5% for web and application; 26.7% for advertising and promotion; 7.3% for branding; 5.4% on social media; 7.6% on public relations; 36.3% on administration; 1.9% on research and development; and 6.3% 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.

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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 are required to 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 directories serving your Designated Territory, as well as in 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

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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 60 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 $10,000 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. Initial Training is made available on an as-needed basis as Franchised Stores prepare to open and will be available to you 60-90 days before the deadline upon which you must complete the courses. 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 up to 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 hiring and 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 12 days of training. The materials for the training will be provided through our Extranet, 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 York City, Fairfield, CT or other location we designate
Use of the Manual	0.5	0	New York City, Fairfield, CT or other location we designate

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Tour of the Restaurant	0	0.5	New York City, Fairfield, CT or other location we designate
Pre-Opening Procedures	.5	4	New York City, Fairfield, CT or other location we designate
Suggested Resources to Comply with Personnel, Employment and Labor-Related Issues	2	0	New York City, Fairfield, CT or other location we designate
Advertising and Marketing	2	0	New York City, Fairfield, CT or other location we designate
Management Procedures; Operational Efficiency	5	11	New York City, Fairfield, CT or other location we designate
Franchise Reporting Requirements	2	0	New York City, Fairfield, CT or other location we designate
Accounting/Record Keeping	2	2	New York City, Fairfield, CT or other location we designate
Customer Service Procedures	1	3	New York City, Fairfield, CT or other location we designate
Front of House – Soft Serve Categories/Nutrition/Café Handling	.5	8	New York City, Fairfield, CT or other location we designate
Back of House – Prep Procedures/Machine Operators	1	9	New York City, Fairfield, CT or other location we designate
Novelties/Catering	1	3	New York City, Fairfield, CT or other location we designate
Training Process	1	1	New York City, Fairfield, CT or other location we designate
Day Parts Procedures	1	2	New York City, Fairfield, CT or other location we designate
Delivery Procedures	1	4	New York City, Fairfield, CT or other location we designate
Inventory Management, Ordering and Vendor Relationships	2	12	New York City, Fairfield, CT or other location we designate
POS System	2	4	New York City, Fairfield, CT or other location we designate

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Cleaning Procedures/Closing	1	14	New York City, Fairfield, CT or other location we designate
Safety Procedures	1	4	New York City, Fairfield, CT or other location we designate
TOTAL	28.5	81.5	

Parts of the initial training will be held at our headquarters in New York City, at affiliate or franchisee owned Stores in New York City or Fairfield, CT, or at another location we designate. Parts of the initial training will also be conducted on remote online video conference calls prior to your opening. 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. Subsequent pre-opening training will then be conducted at your Franchised Store the days preceding your opening as described above.

Our initial training program is overseen by our VP of Operations and Training, Lisa Mallon. Ms. Mallon has been a franchisee of 16 Handles operating the Fairfield CT store for over 14 years and has been working for us since August 2022.

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

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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.

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 H. Our Manual includes a total of approximately 390 pages. This manual may be provided to you electronically or through the Extranet.

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 will be required to pay us a relocation fee of $12,000 to reimburse us for costs incurred relating to evaluating your new site and assisting with the design and construction of your relocated Store (see Item 6). (Franchise Agreement, Section 8.18)

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. This excludes using online third-party delivery channels such as Grubhub, UberEats, and Doordash, which facilitate an online sale direct to a customer within close proximity to the Franchised Store for immediately delivery by a courier or hired driver, provided that all such activities shall be conducted only in accordance with the requirements of your Franchise Agreement and the procedures set forth on the Extranet or in our Manual. 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 a 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.

We must approve 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. The sites you

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select for your additional Franchised Stores must meet our criteria for demographic characteristics, traffic patterns, parking, character of neighborhood, competition from and proximity to other businesses and other 16 Handles® branded Stores, the nature of other businesses in proximity to your Franchised Stores, evidence of your ability to maintain appropriate capitalization, and other commercial characteristics and the size, appearance and other physical characteristics of the proposed site. Our criteria, and our evaluation of them, may vary periodically and from location to location. Once we receive a Site Approval Package, we will approve or reject your proposed site within 30 days. 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

While you will receive 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 under the situations described below. 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, 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 receive the right to operate Store under the name "16 Handles®" which is the primary Mark used to identify our System. Our predecessor registered the following trademarks on the United States Patent and Trademark Office ("USPTO") Principal Register:

Mark	Registration Date	Registration Number	Register
16 Handles	May 12, 2009	3,620,574	Principal
16 HANDLES	September 6, 2016	5,036,250	Principal
	November 20, 2018	5611579	Principal

Our predecessor assigned us the Proprietary Marks on August 19, 2022 which was recorded with the USPTO on November 21, 2023. We 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

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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	Beginning on the effective date of your Franchise Agreement to the date that is ten years from the opening date of your Store.

Provision	Section in Franchise Agreement	Summary
(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.
(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. Default under the Area Development Agreement, if applicable, is not a cause for termination 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.

Provision	Section in Franchise Agreement	Summary
(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
(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

Provision	Section in Franchise Agreement	Summary
		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 York, NY. 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 in New York, NY or, if appropriate, the United States District Court for the First Judicial District of New York. You agree that there will be no class actions. (subject to applicable state law).
(w) Choice of law	Section 27.1	Delaware (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	

Provision	Section in Area Development Agreement	Summary
(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. If a Franchised Store is terminated it is a default under the Area Development Agreement that is cause for termination.
(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.
(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	

Provision	Section in Area Development Agreement	Summary
(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.
(u) Dispute resolution by arbitration or mediation	Section 16.2 Section 16.3	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 York, NY. 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 in New York, NY or, if appropriate, the United States District Court for the First Judicial District of New

Provision	Section in Area Development Agreement	Summary
		York. You agree that there will be no class actions. (subject to applicable state law).
(w) Choice of law	Section 16.1	Delaware (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.

As of December 31, 2024, there were a total of 31 Stores that are owned and operated by our franchisees (each, a "Franchised Stores"). In Chart A we detail certain Gross Revenue (as defined in the Notes below) information for the 24 Franchised Stores that were open for the entire Measurement Period (as defined in the Notes below) ("Standard Stores"). The table below excludes any stores that were newly opened or permanently ceased operations during the Measurement Period, or stores that operate seasonally ([1] and [2]).

In Chart B, we detail certain Gross Revenue and Cost of Goods Expense (as defined in the Notes below) information for the 6 Franchised Stores owned by our Affiliates ("Affiliate Locations") that were open for the entire Measurement Period.

A. REVENUE ACHIEVED AMONGST STANDARD STORES OVER THE MEASUREMENT PERIOD

Average Gross Sales	$804,648
Median Gross Sales	$749,749
Lowest Standard Store (excluding seasonal stores)	$431,344
Highest Standard Store	$2,120,516

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[1] 1 Franchised Store was excluded in the entirety due to having no revenue during the fiscal year ended December 31, 2024 as a result of the landlord temporarily closing the location in which the Franchised Store is located.

[2] 1 Franchised Store was excluded in the entirety due to being a cobranded location with a Subway Sandwich shop. This location offers a limited menu and operates on a different schedule than our typical stores, including seasonal closures.

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	Size of Sample	Average	Median
Top 25% Standard Stores	6	$1,166,920	$947,040
Top 50% Standard Stores	12	$983,903	$861,584
Bottom 50% Standard Stores	12	$625,394	$627,649
Bottom 25% Standard Stores	6	$547,450	$554,955

Of the 24 Reporting Franchised Shops, 9 (or 38%) met or exceeded the Average Gross Sales as of the end of the Reporting Period, and 12 (or 50%) met or exceeded the Median Gross Sales.

B. COST OF GOODS MARGIN AMONG AFFILIATE STORES FOR THE MEASUREMENT PERIOD

	Size of Sample	
Average Gross Sales – Affiliate Locations	6	$853,266
Average Cost of Goods Expense – Affiliate Locations	6	$222,857
Cost of Goods Expense as a % – Affiliate Locations *(Averaged Cost of Goods / Average Gross Sales)*		26.1%

Of the 6 Reporting Franchised Affiliate Locations, 2 (or 33%) met or exceeded the Average Cost of Goods Expense as of the end of the Measurement Period, and the remaining 4 stores (or 66%) had a Costs of Goods Expense lower than the Average Cost of Goods Expense.

General Notes

1. 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.

2. Franchisees and former franchisees listed in Exhibit E to this disclosure document may be one source of information.

3. "Gross Sales" means all revenues and income from whatever source derived or received by the Stores from, through, by or on account of the operation of such Stores, whether received in cash, in services, in kind, on credit (whether or not payment is received), bartering, or otherwise less (to the extent included) (i) all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if separately stated when the customer is charged and are paid to the appropriate governmental authority; and (ii) any documented refunds, chargebacks, credits and allowances given in good faith to customers (such deductions will not include any credit card user fees, delivery aggregator commissions or charges, returned checks or reserves for bad credit or doubtful accounts).

4. "Cost of Goods Expense" means the cost of all food (such as soft serve, toppings, and fresh fruit), beverages, and paper goods (such as cups, spoons, lids, bags, and dishwashing supplies, which are sold and delivered by the same vendor) used in the operation of the Affiliate Stores. This also includes expenses related to delivery of first party orders through services like Doordash Drive. The

affiliate stores operate in the same way and do not materially differ from a Standard Store. Cost of Goods may vary store to store and market to market. Cost of Goods may vary based on how well operations are managed, particularly in minimizing waste.

5. Revenue figures from the Affiliate Locations may be higher than average. A contributing factor to this performance may be the territory of the Affiliate Locations in Manhattan, New York – a high-traffic, densely populated urban area that may not be reflective of typical market conditions in other regions. The Affiliate Locations are special purpose entities that has common ownership with us acting under their own Franchise Agreement. The Affiliate Locations are further defined in Item 1 of this disclosure.

6. We have not audited this information, nor independently verified this information.

7. The "Measurement Period" is January 1, 2024 through December 31, 2024 ("Measurement Period").

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

Some Franchised 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 Fredrick Frey 450 Park Avenue South, Floor 3, New York, NY 10016**;** (551) 222-6043**;** Franchise@16Handles.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years 2022, 2023, 2024

Outlet Type	Year		Outlets at the End of the Year	Net Change
Franchised	2022	29	29	0
	2023	29	29	0
	2024	29	31	+2
Company-Owned	2022	1	0	-1
	2023	0	0	0
	2024	0	0	0
Total Outlets	**2022**	**30**	**29**	**-1**
	2023	**29**	**29**	**0**
	2024	**29**	**31**	**+2**

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2022, 2023, 2024

State	Year	Number of Transfers
New York	2022	3
	2023	0
	2024	2
New Jersey	2022	0
	2023	0
	2024	0
Total	**2022**	**3**
	2023	**0**
	2024	**2**

Table No. 3
Status of Franchised Outlets
For years 2022, 2023, 2024

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	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Florida	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	1	0	0	0	1	2
New Jersey	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
	2024	7	1	0	0	0	0	8
New York	2022	19	2	2	0	0	0	19
	2023	19	0	0	0	0	1	18
	2024	18	0	0	0	0	1	18
Texas	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	2	0	0	0	0	2
Total	**2022**	**29**	**2**	**2**	**0**	**0**	**0**	**29**
	2023	**29**	**1**	**0**	**0**	**0**	**1**	**29**
	2024	**29**	**4**	**0**	**0**	**0**	**2**	**31**

Table No. 4
Status of Company-Owned Outlets
For years 2022, 2023, 2024

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	2022	1	0	0	0	1	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Total	**2022**	**1**	**0**	**0**	**0**	**1**	**0**
	2023	**0**	**0**	**0**	**0**	**0**	**0**
	2024	**0**	**0**	**0**	**0**	**0**	**0**

Table No. 5
Projected Openings as of December 31, 2024

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
Arizona	1	2	0
Florida	5	4	0
South Carolina	3	3	0
Texas	5	4	0
Maryland	1	1	0
New Jersey	0	1	0
New York	2	3	0
Total	**18**	**18**	**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 are our audited financial statements for the fiscal year ended December 31, 2022, December 31, 2023 and December 31, 2024. Our fiscal year end is December 31st.

ITEM 22: CONTRACTS

The following agreements are attached 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 I – 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 Frederick Frey 450 Park Avenue South, Floor 3, New York, NY 10016**;** (551) 222-6043; Franchise@16Handles.com, and keep the other with this Disclosure Document for your records.

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EXHIBIT A TO THE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

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

STATE	AGENCY	PROCESS, IF DIFFERENT
California	Department of Financial Protection & Innovation *Los Angeles* 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 *Sacramento* 2101 Arena Blvd. Sacramento, CA 95834 (916) 445-7205 *San Diego* 1350 Front Street, Room 2034 San Diego, CA 92101-3697 (619) 525-4233 *San Francisco* One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565 Toll Free (866) 275-2677	Commissioner of Financial Protection & Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344
Connecticut	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Agent: Banking Commissioner
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division P.O. Box 40 Honolulu, HI 96810 (808) 586-2727 (808) 586-2740 (808) 586-2744	Commissioner of Securities of Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch King Kalakaua Building 335 Merchant Street, Room 205 Honolulu, HI 96813

STATE	AGENCY	PROCESS, IF DIFFERENT
Illinois	Franchise Division Office of Attorney General 500 South Second Street Springfield, IL 62701 (217) 782-4465	
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681	
Maryland	Office of Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section G. Mennen Williams Building, 1st Floor 525 W. Ottawa St. Lansing, MI 48909 (517) 335-7567	
Minnesota	Minnesota Department of Commerce Securities Unit 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1500	Minnesota Department of Commerce Securities Unit Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St., 21st Floor New York, NY 10005 (212) 416-8222	Attention: New York Secretary of State New York Department of State The Division of Corporations One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492
North Dakota	North Dakota Securities Department 600 Boulevard Avenue, State Capitol Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner 600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, ND 58505-0510

STATE	AGENCY	PROCESS, IF DIFFERENT
Rhode Island	Securities Division Department of Business Regulation 1511 Pontiac Avenue John O. Pastore Complex – Bldg 69-1 Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Department of Labor and Regulation Division of Securities 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, Ninth Floor Richmond, VA 23219-3630 (804) 371-9051	Clerk State Corporation Commission 1300 East Main Street, First Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760 -or 150 Israel Road SW Tumwater, WA 98501	Director of Dept. of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, WA 98501 (360) 902-8760
Wisconsin	Division of Securities Department of Financial Institutions P.O. Box 1768 Madison, WI 53701 -or 345 West Washington Avenue Fourth Floor Madison, WI 53703 (608) 266-2801 (608) 266-2139	Administrator, Division of Securities Department of Financial Institutions 345 W. Washington Ave., 4th Floor Madison, Wisconsin 53703

EXHIBIT B TO THE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

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16 HANDLES FRANCHISING LLC

FRANCHISE AGREEMENT

_____
NAME OF FRANCHISEE

_____
DATE OF AGREEMENT

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EXHIBITS:

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B: ADA Certification
C: List of Principals and Designated Principal
D: Authorization for Pre-Arranged Payments
E: Guarantee, Indemnification, and Acknowledgment
F-1: Confidentiality and Non-Compete Agreement for Franchisees, Principals and Executives
F-2: Confidentiality and Non-Compete for Franchisees Employees
G-1: Lease Terms
G-2: Collateral Assignment of Lease

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FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into effective as of _____ (the "**Effective Date**"), by and between:

- 16 Handles Franchising LLC, a corporation whose principal place of business is 450 Park Avenue South, Floor 3, New York, NY 10016 ("**Franchisor**"); and
- _____, 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.

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.

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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**"); (b) for customer carry-out consumption of Products sold at the Franchised Store, and (c) online third-party delivery channels such as Grubhub, UberEats, and Doordash, which facilitate an online sale direct to a customer within close proximity to the Franchised Store for immediately delivery by a courier or hired driver, 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;

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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

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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 Franchisee and up to two (2) managers ("**Initial Training**"), as described in Section 6 of this Agreement, (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 hiring and 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

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"**Manual**"), as more fully described in Section 10 hereof. Franchisor reserves the right to provide the Manual via Extranet, 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

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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

On the 15th and the last day of each month 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 month (a "**Sales Report**"). As used in this Agreement, the following terms shall apply:

4.3.1 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.

4.3.2 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 contributions for marketing and promotion on the 15th and last day of each month 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 weeks preceding the 15th and the last day of each month, and the Sales Reports required by Section 4.3 for the Gross Sales for the weeks preceding the 15th and the last day of each month, shall be paid and submitted so as to be received by Franchisor on the 15th and last day of each month. 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

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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 month.

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.

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.

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"). Franchisor may modify the Technology Fee at any time upon thirty (30) days notice to Franchisee. In addition, 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.

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:

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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 fourteen (14) 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 fourteen (14) 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

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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.

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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 sixteen (16) months from the date this Agreement is executed. 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 up to 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 approximately twelve (12) 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

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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 schedule 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.

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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 obligation 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

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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.

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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 So long as you comply with our standards, which we will determine in our sole and absolute discretion, you may promote your Store and use the Proprietary Marks in any manner on social and/or networking Websites, such as Facebook, LinkedIn, Yelp, Instagram, Snapchat, TikTok and X, without our prior written consent; provided, however that, if we request that you remove any promotion, you are required to do so immediately. You must comply with our System standards regarding the use of social media in your Franchised Store's operation ("social media" includes personal blogs, common social networks like Facebook and Instagram, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). 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, Yelp, Instagram, Snapchat, TikTok and/or X, 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.

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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.

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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

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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 the greater of one thousand and no/100 dollars ($1,000) or 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

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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:

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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 be responsible for all costs and expenses associated with such programs and services.

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, redecoration, 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

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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 a relocation fee of twelve thousand and no/100 dollars ($12,000).

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.

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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;

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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;

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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

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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 seven (7) years during the term of this Agreement, and, for not less than seven (7) years following

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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.

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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 month, 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,

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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

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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

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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 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 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.

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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 "16 Handles Franchising LLC" 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.

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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,

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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

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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

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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.

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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

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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 IIf 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.

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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 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.

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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. In addition, Franchisor and Franchisee agree that it would be difficult, if not impossible, to determine the amount of damages that Franchisor would suffer due to the loss or interruption of the revenue stream Franchisor otherwise would have derived from Franchisee's continued payment of the Royalty Fee and the Brand Fund Development Fee through the remainder of the term of this Agreement. Therefore, Franchisee and Franchisor agree that a reasonable estimate of such damages is an amount equal to the net present value of the Royalty Fee and the Brand Fund Development Fee that would have been paid had this Agreement not been terminated, from the date of termination until the earlier of (3) three years from the date of termination; or (2) scheduled expiration of the Term.

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.

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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 18.2.2 if such person was subject to the covenants of this Section 18.2.2.

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 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.

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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:

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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 Franchise 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.

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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

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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.

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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.

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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 Delaware. In the event of any conflict of law, the laws of Delaware shall prevail, without regard to, and without giving effect to, the application of Delaware 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 sent forth in Section 27.2 above, will first be submitted first to non-binding mediation to take place at Franchisor's headquarters in New York, NY 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 New York, NY or, if appropriate, the United States District Court for the First Judicial District of New York. Franchisee acknowledges that this Agreement has been entered into in the State of New York, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in New York, NY, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their

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origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of New York 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.

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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 Delaware (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.

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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 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

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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.

29.2.2 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.

29.2.3 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.

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

16 HANDLES FRANCHISING LLC
Franchisor

By: _____
Name: Neil Hershman
Title: Chief Executive Officer

Address for Notices:
16 Handles Franchising LLC
450 Park Avenue South, Floor 3
New York, NY 10016
Telephone: (555) 222-6043
Email: neil@16handles.com
info@16handles.com

_____
Franchisee

By: _____
Name:_____
Title:_____

Address for Notices:
_____
_____
_____
Telephone:_____
Fax:_____
Attn:_____

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EXHIBIT A
DATA SHEET

1. The Approved Location for the Franchised Store shall be:

_____

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 may, if necessary in Franchisor's discretion, be 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.

Franchisee: Initial _____ Date: _____

16 Handles Franchising, LLC: Initial _____ Date: _____

EXHIBIT B
ADA CERTIFICATION

16 Handles Franchising LLC ("**Franchisor**") and _____ ("**Franchisee**") are parties to a franchise agreement dated _____ for the operation of a 16 Handles Store at:

_____

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:_____

EXHIBIT C
LIST OF PRINCIPALS AND DESIGNATED PRINCIPAL

The following identifies all of Franchisee's Principals:

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

FRANCHISEE'S DESIGNATED PRINCIPAL

The following identifies Franchisee's Designated Principal:

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

EXHIBIT D
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS

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

The undersigned depositor ("**Depositor**") hereby authorizes 16 Handles Franchising LLC ("**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:_____

EXHIBIT E
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to 16 Handles Franchising LLC ("**Franchisor**") to enter the 16 Handles Franchising LLC 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 the 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 Delaware. In the event of any conflict of law, the laws of the State of Delaware shall prevail (without regard to, and without giving effect to, the application of Delaware conflict of law rules).

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

GUARANTOR(S):

Signature: _____

Printed Name:_____

Signature: _____

Printed Name:_____

Signature: _____

Printed Name:_____

Signature: _____

Printed Name:_____

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

16 Handles Franchising LLC (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 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. <u>Covenants Not to Compete</u>.

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; 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 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.

4. <u>Legal and Equitable Remedies</u>. 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. <u>Severability</u>. 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. <u>Delay</u>. 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:_____

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

16 Handles Franchising LLC (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 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; and/or

iii. 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 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.

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.

[Signatures on Following Page]

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:_____

EXHIBIT G-1
AMENDMENT TO LEASE TERMS

THIS AMENDMENT TO LEASE TERMS ("Agreement") is made this _____ day of _____ _____, 20____, by and between_____ ("**us**" "**we**" "**our**" or the "**Franchisee**"), and_____, ("**Landlord**").

WHEREAS, Franchisee and Landlord entered into a Lease Agreement dated effective as of _____ ("**Lease**");

WHEREAS, Franchisee and 16 Handles Franchising, LLC ("**Franchisor**") have entered into a Franchise Agreement dated effective as of _____ ("**Franchise Agreement**");

WHEREAS, 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) to the terms contained in this Amendment; and

WHEREAS, the purpose of this Amendment is to add the terms contained herein to the Lease.

NOW THEREFORE, notwithstanding any terms in the Lease to the contrary, the Lease is hereby amended to add the following terms, which supersede all prior and contemporaneous agreements, representations, and understandings of the Franchisee and Landlord, oral or written, with respect to the Lease.

A. **Landlord Agreements/Lease Amendments**. Landlord hereby agrees as follows:

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

2. The Landlord 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. 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 Landlord, which consent shall not be unreasonably withheld, conditioned or delayed.

4. 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. Landlord shall concurrently provide Franchisor at the following notice address with a copy of any written notice of deficiency under the Lease sent to Franchisee, and that the Landlord will provide Franchisor with written notice specifying deficiencies that Franchisee did not cure.

Franchisor Notice Address: 16 Handles Franchising, LLC
Attn: Neil Hershman
450 Park Avenue South, Floor 3
New York, NY 10016
Email: neil@16handles.com
info@16handles.com

6. Landlord hereby 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. In the event the Franchise Agreement for the Franchised Store expires or is terminated: (a) Landlord hereby acknowledges, understands and agrees 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) Landlord 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 Landlord shall not be required to bear any expense thereof.

8. Landlord hereby acknowledges, understands and agrees 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. Landlord hereby acknowledges, understands and agrees that Franchisor has the right, at Franchisor's election, to receive an assignment of the Leasehold interest upon termination or expiration of the franchise grant.

10. If requested by Franchisor, the Landlord of the premises will provide Franchisor all sales and other information the Landlord 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. Landlord 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. Landlord's consent to an assignment of the Lease or subletting of the Premises will not be required in connection with an assignment or subletting to 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. The Landlord is hereby prevented 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 Landlord 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 Landlord 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.

LANDLORD:	FRANCHISEE:
_____	_____
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____
Date:_____	Date:_____

EXHIBIT G - 2
COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned ("Assignor") assigns, transfers and sets over to 16 Handles Franchising LLC, 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:	ASSIGNOR:
16 HANDLES FRANCHISING LLC	_____
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____
Date:_____	Date:_____

CONSENT TO COLLATERAL ASSIGNMENT AND AGREEMENT OF LESSOR

The undersigned Landlord 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 Landlord'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 Landlord that it has assumed the Lease as tenant, Landlord 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 Landlord 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:_____

_____

_____,
Landlord

EXHIBIT C TO THE DISCLOSURE DOCUMENT
AREA DEVELOPMENT AGREEMENT

© 2025 16 Handles Franchising, LLC

16 HANDLES FRANCHISING LLC

AREA DEVELOPMENT AGREEMENT

_____
Area Developer Name

_____
Development Area

_____
Date

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A - Development Schedule, Area and Fee
B - Developer's Principals List and Designated Principal
C - Franchise Agreement
D - Guarantee, Indemnification, and Acknowledgement
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:

- 16 Handles Franchising LLC., a corporation whose principal place of business is 450 Park Avenue South, Floor 3, New York, NY 10016 ("**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**").

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 16 Handles Franchising LLC. 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 Within one hundred eighty (180 days) from the execution of a Franchise Agreement for a Franchised Store, 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 fourteen (14) 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 fourteen (14) 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 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 one hundred eighty (180) 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 Each Franchised Store must be open and operating no later than sixteen (16) months following execution of the Franchise Agreement for such Franchised Store.

3.2.4 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 be 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 a s 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 "16 Handles Franchising LLC." 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-owed 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 Delaware. In the event of any conflict of law, the laws of Delaware shall prevail, without regard to, and without giving effect to, the application of Delaware 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 Delaware 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 sent forth in Section 16.2 above, will first be submitted first to non-binding mediation to take place at Franchisor's headquarters in New York, NY 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 New York, NY or, if appropriate, the United States First Judicial District Court for New York. Franchisee acknowledges that this Agreement has been entered into in the State of New York, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in New York, 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 York 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 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.

16 HANDLES FRANCHISING LLC.	_____
Franchisor	Area Developer
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title: _____
Address for Notices:	Address for Notices:
16 Handles Franchising LLC.	_____
450 Park Avenue South, Floor 3	_____
New York, NY 10016	_____
Telephone: (555) 222-6043	Telephone:_____
Email: neil@16handles.com	Fax:_____
info@16handles .com	Attn:_____

16 HANDLES FRANCHISING LLC.
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

16 HANDLES FRANCHISING LLC.
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

16 HANDLES FRANCHISING LLC.
AREA DEVELOPMENT AGREEMENT
EXHIBIT C
FORM OF FRANCHISE AGREEMENT

16 HANDLES FRANCHISING LLC.
AREA DEVELOPMENT AGREEMENT
EXHIBIT D
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to 16 Handles Franchising LLC. ("**Franchisor**") to enter the 16 Handles Franchising LLC. 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 Delaware. In the event of any conflict of law, the laws of the State of Delaware shall prevail (without regard to, and without giving effect to, the application of Delaware conflict of law rules).

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

GUARANTORS:

_____
Printed Name_____

_____
Printed Name: _____

_____
Printed Name: _____

_____
Printed Name: _____

16 HANDLES FRANCHISING LLC.
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 shall be contained in an Amendment to Lease attached to the Franchise Agreement and 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

SPECIFIC STATE ADDENDUM
STATE ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following are additional disclosures for our Multistate Franchise Disclosure Document. Various state franchise laws require us to make these additional disclosures. These additional disclosures will not apply to you unless you meet the jurisdictional requirements of the applicable state franchise registration and disclosure law independently without reference to these additional disclosures. These disclosures supplement our Disclosure Document and supersede any conflicting information contained in the main body of the Disclosure Document:

FOR THE STATE OF CALIFORNIA

Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the franchise disclosure document.

"The franchisor, any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFRONIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

a. California Business and Professions Code 20000 through 20043 provide rights to the franchisee concerning transfer, termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control. (Note: This is required to be disclosed in all filings.)

b. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 et seq.).

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

d. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

e. The franchise agreement requires binding arbitration. The arbitration will occur at Franchisor's headquarters in New York with the costs being borne equally by Franchisor and frachisee. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

f. The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening

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obligations and the franchisee is open for business. For any development agreement, the payment of the development and initial fee attributable to a specific unit is deferred until that unit is open.

g. The franchise agreement requires application of the laws of Delaware. This provision may not be enforceable under California law.

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

i. You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 Through 31516). Business and Professions Code Section 20010 Voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

FOR THE STATE OF CONNECTICUT

1. Item 3 is amended to read as follows:

Neither the Franchisor nor any person identified in Items 1 or 2 above has any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, business opportunity law, securities law, misappropriation of property or comparable allegations.

Neither the Franchisor nor any other person identified in Items 1 or 2 above has during the ten (10) year period immediately preceding the date of this Disclosure Document, been convicted of a felony or pleaded nolo contendere to a felony charge or been held liable in any civil action by final judgment, or been the subject of any material complaint or other legal proceeding where a felony, civil action, complaint or other legal proceeding involved violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, business opportunity law, securities law, misappropriation of property or comparable allegations or which was brought by a present or former purchaser-investor or which involves or involved the business opportunity relationship.

Neither the Franchisor nor any person identified in Items 1 or 2 above is subject to any currently effective injunctive or restrictive order or decree relating to the franchise, or under any federal, state or Canadian franchise, securities, business opportunity, antitrust, trade regulation or trade practice law as a result of concluded or pending action or proceeding brought by a public agency, or is a party to a proceeding currently pending in which an order is sought, relating to or affecting business opportunity activities or the seller-purchaser-investor relationship, or involving fraud, including but not limited to, a violation of any business opportunity law, franchise law, securities law or unfair or deceptive practices law, embezzlement, fraudulent conversion, misappropriation of property or restraint of trade.

Neither Company nor any person identified in Item 2 above is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities & Exchange Act of 1934) suspending or expelling these persons from membership in the association or exchange.

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FOR THE STATE OF ILLINOIS

Illinois law governs the agreements between the parties to this franchise. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Item 5 is amended to state that payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirements was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

FOR THE STATE OF INDIANA

1. Item 8 of the Disclosure Document is amended to add the following:

   Under Indiana Code Section 23-2-2.7-1(4), the franchisor will not obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted by the franchisee.

2. Items 6 and 9 of the Disclosure Document are amended to add the following:
   The franchisee will not be required to indemnify franchisor for any liability imposed upon franchisor as a result of franchisee's reliance upon or use of procedures or products that were required by franchisor, if the procedures or products were utilized by franchisee in the manner required by franchisor.

3. Item 17 of the Disclosure Document is amended to add the following:
   Indiana Code 23-2-2.7-1(7) makes unlawful unilateral termination of a franchise unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

   Indiana Code 23-2-2.7-1(5) prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

   Item 17(r) is amended subject to Indiana Code 23-2-2.7-1(9) to provide that the post-term non-competition covenant shall have a geographical limitation of the territory granted to Franchisee.

   Item 17(v) is amended to provide that Franchisees will be permitted to commence litigation in Indiana for any cause of action under Indiana Law.

   Item 17(w) is amended to provide that in the event of a conflict of law, Indiana Law governs any cause of action that arises under the Indiana Disclosure Law or the Indiana Deceptive Franchise Practices Act.

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FOR THE STATE OF MARYLAND

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

As to franchises governed by the Maryland Franchise Registration and Disclosure Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 5 is amended as follows: Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

2. Item 17 is modified to provide as follows: "This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable."

3. Item 17(b) is modified to also provide, "The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

4. Item 17(h) is modified to also provide, "The provision in the Franchise Agreement that provides that we may terminate the agreement upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.)."

5. Item 17(u) is modified to also provide, "A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

6. Item 17(v) is modified to also provide, "Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."

7. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the Development Agreement opens.

FOR THE STATE OF MINNESOTA

1. Item 13 of the Disclosure Document is amended as follows:

   As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), we will reimburse you for any costs incurred by you in the defense of your right to use the marks, so long as you were using the marks in the manner authorized by us, and so long as we are timely notified of the claim and given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

2. Item 17 of the Disclosure Document is amended as follows:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Agreement.

Item 17 shall not provide for a prospective general release of claims against us that may be subject to the Minnesota Franchise Law. Minn. Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release.

Item 20 of the Franchise Disclosure Document is amended as follows:

Franchisor has posted a surety bond with the Minnesota Department of Commerce Securities Section in the amount of $35,000. This condition of registration was imposed by the Minnesota Department of Commerce due to Franchisor's financial condition.

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

FOR THE STATE OF NORTH DAKOTA

Item 5 of the Disclosure Document is amended to add the following:

The payment of the Initial Franchise Fee is not due until such time as the franchisor has fulfilled its pre-opening obligations and the franchisee has commenced business pursuant to the franchise agreement.

Item 17 (c) of the Disclosure Document and Section 2 of the Franchise Agreement requires the franchisee to sign a general release upon renewal of the franchise agreement. Those provisions are deleted in their entirety.

Item 17 (i) of the Disclosure Document and Section 6 of the Area Development Agreement requires the franchisee to consent to termination or liquidated damages. Those provisions are deleted in their entirety.

Item 17 (r) of the Disclosure Document and Section 16.3 of the Franchise Agreement discloses the existence of certain covenants restricting competition to which franchisees must agree. Those provisions are deleted in their entirety.

Item 17 (u) of the Disclosure Document and Section 8 of the Area Development Agreement which require the franchisee to agree to arbitration or mediation of disputes in New York is amended to provide that the site of arbitration or mediation must be agreeable to all parties and must not be remote from the franchisee's place of business.

Item 17 (v) of the Disclosure Document and Section 8 of the Area Development Agreement provide that franchisees must consent to the jurisdiction of courts in New York. Those sections are deleted in their entirety.

Section 17 (w) of the Disclosure Document and Section 8 of the Area Development Agreement provide that the agreement shall be construed according to the laws of the state of Delaware. Those sections are amended to substitute "North Dakota" for references to "Delaware."

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FOR THE STATE OF SOUTH DAKOTA

Item 5 of the Disclosure Document is amended to add the following:

The payment of the Initial Franchise Fees are not due until such time as the franchisor has fulfilled its pre-opening obligations and the franchisee has commenced business pursuant to the franchise agreement.

FOR THE STATE OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for 16 Handles Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Item 5 of the Disclosure Document is amended to add the following:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

The following statements are added to Item 17.h:

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise agreement without reasonable cause. If any grounds for default or termination stated in the franchise agreement or development agreement, do not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

FOR THE STATE OF WASHINGTON

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings

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from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor.

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RIDER TO THE 16 HANDLES FRANCHISING LLC
FRANCHISE AGREEMENT
FOR USE IN CALIFORNIA

THIS RIDER is made and entered into on _____, 20____ (the "Effective Date") by and between **16 HANDLES FRANCHISING LLC**, a limited liability company formed under the laws of the State of Delaware, with its principal business address at 450 Park Avenue South, Floor 3, New York, NY 10016, ("**we**," "**us**,"' or, "**our**"), and_____ _____, a _____ [**corporation, limited liability company, general partnership, or limited partnership**] formed under the laws of the State of _____, [**or a sole proprietorship**] with its principal business address at _____ _____("**you**" or "**your**").

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in California and the 16 Handles Store that you will operate under the Franchise Agreement will be located in California, and/or (b) you are domiciled in California.

2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and the franchisee is open for business. For any development agreement, the payment of the development and initial fee attributable to a specific unit is deferred until that unit is open.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

FRANCHISOR:	**FRANCHISEE:**
16 HANDLES FRANCHISING LLC	**[_____]**
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

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RIDER TO THE 16 HANDLES FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN CALIFORNIA

THIS RIDER is made and entered into on _____, 20____ (the "Effective Date") by and between **16 HANDLES FRANCHISING LLC**, a limited liability company formed under the laws of the State of Delaware, with its principal business address at 450 Park Avenue South, Floor 3, New York, NY 10016, ("**we**," "**us**,"' or, "**our**"), and_____ _____, a _____ [**corporation, limited liability company, general partnership, or limited partnership**] formed under the laws of the State of _____, [**or a sole proprietorship**] with its principal business address at _____ _____("**you**" or "**your**").

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____, 20____ (the "Area Development Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in California and the 16 Handles Store that you will operate under the Franchise Agreement will be located in California, and/or (b) you are domiciled in Califormia.

2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and the franchisee is open for business. For any development agreement, the payment of the development and initial fee attributable to a specific unit is deferred until that unit is open.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

FRANCHISOR:	**FRANCHISEE:**
16 HANDLES FRANCHISING LLC	**[_____]**
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

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RIDER TO THE 16 HANDLES FRANCHISING LLC
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS

THIS RIDER is made and entered into on _____, 20____ (the "Effective Date") by and between **16 HANDLES FRANCHISING LLC**, a limited liability company formed under the laws of the State of Delaware, with its principal business address at 450 Park Avenue South, Floor 3, New York, NY 10016, ("**we**," "**us**,"' or, "**our"**), and_____ _____, a _____ [**corporation, limited liability company, general partnership, or limited partnership**] formed under the laws of the State of _____, [**or a sole proprietorship**] with its principal business address at _____ _____("**you**" or "**your"**).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in Illinois and the 16 Handles Store that you will operate under the Franchise Agreement will be located in Illinois, and/or (b) you are domiciled in Illinois.

2. Illinois law governs the agreements between the parties to this franchise.

3. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

4. Item 5 is amended to state that payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirements was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

5. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

7. Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

8. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

[Signatures on Following Page]

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IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

FRANCHISOR:	**FRANCHISEE:**
16 HANDLES FRANCHISING LLC	**[_____]**
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

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RIDER TO THE 16 HANDLES FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN ILLINOIS

THIS RIDER is made and entered into on _____, 20____ (the "**Effective Date"**) by and between **16 HANDLES FRANCHISING LLC**, a limited liability company formed under the laws of the State of Delaware, with its principal business address at 450 Park Avenue South, Floor 3, New York, NY 10016, ("**we**," "**us**,"' or "**our"**), and _____, a _____ [**corporation, limited liability company, general partnership, or limited partnership**] formed under the laws of the State of _____, [**or a sole proprietorship**] with its principal business address at _____ ("**you"** or "**your"**).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____, 20____ (the "Area Development Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Development Agreement. This Rider is being signed because (a) you are domiciled in Illinois, and/or (b) the 16 Handles Store that you will operate under the Area Development Agreement and Franchise Agreement will be located in Illinois.

2. Illinois law governs the agreements between the parties to this franchise.

3. Item 5 is amended to state that payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirements was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

4. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

5. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

6. Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

7. In Illinois, the Physical Fitness Facility Medical Emergency Preparedness Act, 210 ILCS 74/15 and 74/15(b) (West 2016) sets forth that an automated external defibrillator is required; and that "a physical fitness facility must ensure that there is a trained AED user on staff during staffed business hours. For purposes of this Act, "trained AED user" has the meaning ascribed to that term in section 10 of the Automated External Defibrillator Act.

8. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

[Signatures on Following Page]

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IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

FRANCHISOR:	**FRANCHISEE:**
16 HANDLES FRANCHISING LLC	**[_____]**
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

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RIDER TO THE 16 HANDLES FRANCHISING LLC
FRANCHISE AGREEMENT
FOR USE IN MARYLAND

THIS RIDER is made and entered into on _____, 20____ (the "Effective Date") by and between **16 HANDLES FRANCHISING LLC**, a limited liability company formed under the laws of the State of Delaware, with its principal business address at 450 Park Avenue South, Floor 3, New York, NY 10016, ("**we**," "**us**,"' or, "**our"**), and _____, a _____ [**corporation, limited liability company, general partnership, or limited partnership**] formed under the laws of the State of _____, [**or a sole proprietorship**] with its principal business address at _____("**yo u"** or "**your"**).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the 16 Handles Store that you will operate under the Franchise Agreement will be located in Maryland; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Maryland.

2. **RELEASES.** The following is added to the Franchise Agreement:

As to franchises governed by the Maryland Franchise Registration and Disclosure Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

All representations requiring prospective franchisees to assent to a release, estoppel or waiver or liability are not intended to, nor shall they act as a release, estoppel or waiver of liability incurred under the Maryland Franchise Registration and Disclosure Law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

FRANCHISOR:	**FRANCHISEE:**
16 HANDLES FRANCHISING LLC	**[_____]**
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

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RIDER TO THE 16 HANDLES FRANCHISING LLC
DEVELOPMENT AGREEMENT
FOR USE IN MARYLAND

THIS RIDER is made and entered into on _____, 20____ (the "Effective Date") by and between **16 HANDLES FRANCHISING LLC**, a limited liability company formed under the laws of the State of Delaware, with its principal business address at 450 Park Avenue South, Floor 3, New York, NY 10016, ("**we**," "**us**,"' or, "**our"**), and _____, a _____ [**corporation, limited liability company, general partnership, or limited partnership**] formed under the laws of the State of _____, [**or a sole proprietorship**] with its principal business address at _____("**yo u"** or "**your"**).

1. **BACKGROUND.** We and you are parties to that certain Development Agreement dated _____, 20____ (the "Development Agreement") that has been signed concurrently with the signing of this Rider.

2. **RELEASES.** The following is added to the Development Agreement:

As to franchises governed by the Maryland Franchise Registration and Disclosure Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.
All representations requiring prospective franchisees to assent to a release, estoppel or waiver or liability are not intended to, nor shall they act as a release, estoppel or waiver of liability incurred under the Maryland Franchise Registration and Disclosure Law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

FRANCHISOR:	**FRANCHISEE:**
16 HANDLES FRANCHISING LLC	**[_____]**
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

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RIDER TO THE 16 HANDLES FRANCHISING LLC
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA

THIS RIDER is made and entered into on _____, 20____ (the "Effective Date") by and between **16 HANDLES FRANCHISING LLC**, a limited liability company formed under the laws of the State of Delaware, with its principal business address at 450 Park Avenue South, Floor 3, New York, NY 10016, ("**we**," "**us**,"' or, "**our"**), and _____, a _____ [**corporation, limited liability company, general partnership, or limited partnership**] formed under the laws of the State of _____, [**or a sole proprietorship**] with its principal business address at _____("**yo u"** or "**your"**).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the 16 Handles Store that you will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota.

2. **RELEASES.** The following is added to the Franchise Agreement:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

3. **RENEWAL AND TERMINATION.** The following is added to the Franchise Agreement:

However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 8OC.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

4. **GOVERNING LAW.** The Franchise Agreement is amended with the following:

All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, this Agreement, the Franchise, and all claims arising from the relationship between us and you will be governed by the laws of the State of Delaware, without regard to its conflict of laws rules, except that (1) any Delaware law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Sub-section and (2) nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

5. **CONSENT TO JURISDICTION.** Sub-section 17H. of the Franchise Agreement is deleted and replaced with the following:

Subject to Sub-section 17.F. above and the provisions below, we and you (and your owners) agree that all actions arising under this Agreement or otherwise as a result of the relationship between you and us must be commenced in the state or federal court of general jurisdiction which is closest to where our principal

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office then is located, and we and you (and each owner) irrevocably consent to the jurisdiction of those courts and waive any objection to either the jurisdiction of or venue in those courts. Nonetheless, we and you (and your owners) agree that any of us may enforce any arbitration orders and awards in the courts of the state or states in which you are domiciled or the Store is located. Notwithstanding the foregoing, Minn. Stat. Sec. 8OC.21 and Minn. Rule 2860.4400J prohibit us, except in certain specified cases, from requiring litigation to be conducted outside Minnesota. Nothing in the Agreement shall abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

6. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.** To the extent required by the Minnesota Franchises Law, any restrictions as to punitive damages or jury trials is deleted.

7. **INJUNCTIVE RELIEF.** The Franchise Agreement is amended with the following:

Nothing in this Agreement bars our right to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause us, the Marks, and/or the Franchise System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions (subject to our obligation to arbitrate the underlying claim if required by this Agreement). You agree that we may seek such injunctive relief in addition to such further or other relief as may be available by law or in equity. You agree that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).

8. **LIMITATIONS OF CLAIMS.** The following is added to the Franchise Agreement:

Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

FRANCHISOR:	**FRANCHISEE:**
16 HANDLES FRANCHISING LLC	**[_____]**
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

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RIDER TO THE 16 HANDLES FRANCHISING LLC
DEVELOPMENT AGREEMENT
FOR USE IN MINNESOTA

THIS RIDER is made and entered into on _____, 20____ (the "Effective Date") by and between **16 HANDLES FRANCHISING LLC**, a limited liability company formed under the laws of the State of Delaware, with its principal business address at 450 Park Avenue South, Floor 3, New York, NY 10016, ("**we**," "**us**,"' or, "**our**"), and _____, a _____ [**corporation, limited liability company, general partnership, or limited partnership**] formed under the laws of the State of _____, [**or a sole proprietorship**] with its principal business address at _____("**you**" or "**your**").

1. **BACKGROUND.** We and you are parties to that certain Development Agreement dated _____, 20____ (the "Development Agreement") that has been signed concurrently with the signing of this Rider.

2. **RELEASES.** The following is added to the Development Agreement:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

3. **TERMINATION.** The following is added to the Development Agreement:

However, with respect to franchise development rights governed by Minnesota law, we will comply with Minn. Stat. Sec. 8OC.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure).

4. **GOVERNING LAW.** The Franchise Agreement is amended with the following:

All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, this Agreement, the Franchise, and all claims arising from the relationship between us and you will be governed by the laws of the State of Delaware, without regard to its conflict of laws rules, except that (1) any Delaware law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Sub-section and (2) nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

5. **CONSENT TO JURISDICTION.** Section 15 of the Development Agreement is deleted and replaced with the following:

We and you (and your owners) agree that all actions arising under this Agreement or otherwise as a result of the relationship between you and us must be commenced in the state or federal court of general jurisdiction which is closest to where our principal office then is located, and we and you (and each owner) irrevocably consent to the jurisdiction of those courts and waive any objection to either the jurisdiction of or venue in those courts. Nonetheless, we and you (and your owners) agree that any of us may enforce any arbitration orders and awards in the courts of the state or states in which you are domiciled or the Store is

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located. Notwithstanding the foregoing, Minn. Stat. Sec. 8OC.21 and Minn. Rule 2860.4400J prohibit us, except in certain specified cases, from requiring litigation to be conducted outside Minnesota. Nothing in the Agreement shall abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

6. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.** To the extent required by the Minnesota Franchises Law, any restrictions as to punitive damages or jury trials is deleted.

7. **INJUNCTIVE RELIEF.** The Franchise Agreement is amended with the following:

Nothing in this Agreement bars our right to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause us, the Marks, and/or the Franchise System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions (subject to our obligation to arbitrate the underlying claim if required by this Agreement). You agree that we may seek such injunctive relief in addition to such further or other relief as may be available by law or in equity. You agree that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).

8. **LIMITATIONS OF CLAIMS.** The following is added to the Development Agreement:

Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

9. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

FRANCHISOR:	**FRANCHISEE:**
16 HANDLES FRANCHISING LLC	**[_____]**
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

RIDER TO THE 16 HANDLES FRANCHISING LLC
FRANCHISE AGREEMENT
FOR USE IN NORTH DAKOTA

THIS RIDER is made and entered into on _____, 20____ (the "Effective Date") by and between **16 HANDLES FRANCHISING LLC**, a limited liability company formed under the laws of the State of Delaware, with its principal business address at 450 Park Avenue South, Floor 3, New York, NY 10016, ("**we**," "**us**,"' or, "**our"**), and _____, a _____ [**corporation, limited liability company, general partnership, or limited partnership**] formed under the laws of the State of _____, [**or a sole proprietorship**] with its principal business address at _____ ("**you**" or "**your**").

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated_____, 20___ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of North Dakota and the 16 Handles Store that you will operate under the Franchise Agreement will be located or operated in North Dakota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in North Dakota.

2. **RELEASES.** The following is added to the Franchise Agreement:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. **COVENANT NOT TO COMPETE.** The following is added to the Franchise Agreement:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we will enforce the covenants to the maximum extent the law allows.

4. **ARBITRATION.** The Franchise Agreement is amended to read as follows:

We and you agree that, except for controversies, disputes, or claims related to or based on improper use of the Marks or Confidential Information, all controversies, disputes, or claims between us and our affiliates, and our and their respective shareholders, officers, directors, agents, and/or employees, and you (and/or your owners, guarantors, affiliates, and/or employees) arising out of or related to:

(1) this Agreement or any other agreement between you and us (or our affiliates);

(2) our relationship with you;

(3) the validity of this Agreement or any other agreement between you and us (or our affiliates); or

(4) any System Standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings will be conducted by one arbitrator and, except as this Sub-section otherwise provides, according to the then current commercial arbitration rules of the American Arbitration Association. All proceedings will be conducted at a suitable location chosen by the arbitrator in or within

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fifteen (15) miles of our then existing principal office; provided, however, that to the extent required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration shall be held at a site to which we and you mutually agree. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ I, et seq.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

5. **GOVERNING LAW.** The Franchise Agreement is amended with the following:

All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law and except as otherwise required by North Dakota law, this Agreement, the Franchise, and all claims arising from the relationship between us and you will be governed by the laws of the State of Delaware, without regard to its conflict of laws rules, except that any Delaware law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Sub-section.

6. **CONSENT TO JURISDICTION.** The Franchise Agreement is amended with the following:

Subject to the above and the provisions below, we and you (and your owners) agree that all actions arising under this Agreement or otherwise as a result of the relationship between you and us must be commenced in the state or federal court of general jurisdiction which is closest to where our principal office then is located, and we and you (and each owner) irrevocably consent to the jurisdiction of those courts and waive any objection to either the jurisdiction of or venue in those courts. Nonetheless, we and you (and your owners) agree that any of us may enforce any arbitration orders and awards in the courts of the state or states in which you are domiciled or the Store is located. Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, and subject to your arbitration obligations, you may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

7. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.** To the extent required by the North Dakota Franchise Investment Law, any restriction as to punitive damages or jury trials found within the Franchise Agreement is deleted.

8. **LIMITATIONS OF CLAIMS.** The following is added to the Franchise Agreement:

The statutes of limitations under North Dakota law apply with respect to claims arising under the North Dakota Franchise Investment Law.

9. Section 4.1 of the Franchise Agreement is amended to add the following: The payment of the Initial Franchise Fees are not due until such time as the franchisor has fulfilled its pre-opening obligations and the franchisee has commenced business pursuant to the franchise agreement.

10. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

[Signatures on Following Page]

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IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

FRANCHISOR:	**FRANCHISEE:**
16 HANDLES FRANCHISING LLC	**[_____]**
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

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RIDER TO THE 16 HANDLES FRANCHISING LLC
FRANCHISE AGREEMENT
FOR USE IN RHODE ISLAND

THIS RIDER is made and entered into on _____, 20____ (the "Effective Date") by and between **16 HANDLES FRANCHISING LLC**, a limited liability company formed under the laws of the State of Delaware, with its principal business address at 450 Park Avenue South, Floor 3, New York, NY 10016, ("**we**," "**us**,"' or, "**our"**), and_____ _____, a _____ [**corporation, limited liability company, general partnership, or limited partnership**] formed under the laws of the State of _____, [**or a sole proprietorship**] with its principal business address at _____ _____("**you**" or "**your**").

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20___ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Rhode Island and the 16 Handles Store that you will operate under the Franchise Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Rhode Island.

2. **GOVERNING LAW**. The Franchise Agreement is amended with the following:

All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seg.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, this Agreement, the Franchise, and all claims arising from the relationship between us and you will be governed by the laws of the State of Delaware, without regard to its conflict of laws rules, except that (1) any Delaware law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Sub-section and (2) to the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.

4. **CONSENT TO JURISDICTION**. The Franchise Agreement is amended as follows:

Subject to the above and the provisions below, we and you (and your owners) agree that all actions arising under this Agreement or otherwise as a result of the relationship between you and us must be commenced in the state or federal court of general jurisdiction which is closest to where our principal office then is located, and we and you (and each owner) irrevocably consent to the jurisdiction of those courts and waive any objection to either the jurisdiction of or venue in those courts. Nonetheless, we and you (and your owners) agree that any of us may enforce any arbitration orders and awards in the courts of the state or states in which you are domiciled or the Store is located. Notwithstanding the foregoing, to the extent required by applicable law, you may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

5. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

[Signatures on Following Page]

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IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

FRANCHISOR:	**FRANCHISEE:**
16 HANDLES FRANCHISING LLC	**[_____]**
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

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RIDER TO THE 16 HANDLES FRANCHISING LLC
FRANCHISE AGREEMENT
FOR USE IN SOUTH DAKOTA

THIS RIDER is made and entered into on _____, 20____ (the "Effective Date") by and between **16 HANDLES FRANCHISING LLC**, a limited liability company formed under the laws of the State of Delaware, with its principal business address at 450 Park Avenue South, Floor 3, New York, NY 10016, ("**we**," "**us**,"' or, "**our"**), and_____ _____, a _____ [**corporation, limited liability company, general partnership, or limited partnership**] formed under the laws of the State of _____, [**or a sole proprietorship**] with its principal business address at _____ _____("**you**" or "**your**").

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20___ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in South Dakota and the 16 Handles Store that you will operate under the Franchise Agreement will be located in South Dakota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in South Dakota.

2. Section 3.1 of the Franchise Agreement is amended to add the following:

"The payment of the Initial Franchise Fee is not due to Franchisor until Franchisor has completed all of its pre-opening requirements to Franchisee and Franchisee is operational."

3. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

FRANCHISOR:	**FRANCHISEE:**
16 HANDLES FRANCHISING LLC	**[_____]**
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

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RIDER TO THE 16 HANDLES FRANCHISING LLC
FRANCHISE AGREEMENT
FOR USE IN VIRGINIA

THIS RIDER is made and entered into on _____, 20____ (the "Effective Date") by and between **16 HANDLES FRANCHISING LLC**, a limited liability company formed under the laws of the State of Delaware, with its principal business address at 450 Park Avenue South, Floor 3, New York, NY 10016, ("**we**," "**us**,"' or, "**our**"), and _____, a _____ **[corporation, limited liability company, general partnership, or limited partnership]** formed under the laws of the State of _____, **[or a sole proprietorship]** with its principal business address at _____("**you**" or "**your**").

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Virginia; and/or (b) the 16 Handles Store that you will operate under the Franchise Agreement will be located or operated in Virginia; and/or (c) any of the offering or sales activity relating to the Franchise Agreement occurred in Virginia.

1. Section 3.1 of the Franchise Agreement is amended to add the following:

   The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

4. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

FRANCHISOR:	**FRANCHISEE:**
16 HANDLES FRANCHISING LLC	**[_____]**
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

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RIDER TO THE 16 HANDLES FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN VIRGINIA

THIS RIDER is made and entered into on _____, 20____ (the "Effective Date") by and between **16 HANDLES FRANCHISING LLC**, a limited liability company formed under the laws of the State of Delaware, with its principal business address at 450 Park Avenue South, Floor 3, New York, NY 10016, ("**we**," "**us**,"' or, "**our"**), and _____, a _____ **[corporation, limited liability company, general partnership, or limited partnership]** formed under the laws of the State of _____, **[or a sole proprietorship]** with its principal business address at _____("**you**" or "**your**").

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____, 20____ (the "Development Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Development Agreement. This Rider is being signed because (a) you are domiciled in Virginia; and/or (b) the 16 Handles Store that you will operate under the Development Agreement will be located or operated in Virginia; and/or (c) any of the offering or sales activity relating to the Development Agreement occurred in Virginia.

1. Section 2 of the Development Agreement is amended to add the following:

   The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the Initial Franchisee Fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under each franchise agreement. Payment of the Initial Franchise Fee and other initial fees will be due to the franchisor, upon the franchisor's completion of its pre-opening obligations for each franchise opened under the Development Agreement.
2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

4. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

[Signatures on Following Page]

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IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

FRANCHISOR:	**FRANCHISEE:**
16 HANDLES FRANCHISING LLC	**[_____]**
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

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ADDENDUM TO THE 16 HANDLES FRANCHISING LLC
FRANCHISE AGREEMENT
FOR USE IN WASHINGTON

THIS ADDENDUM is made and entered into on _____, 20____ (the "Effective Date") by and between **16 HANDLES FRANCHISING LLC**, a limited liability company formed under the laws of the State of Delaware, with its principal business address at 450 Park Avenue South, Floor 3, New York, NY 10016, ("**we**," "**us**," or, "**our"**), and _____, a _____ [**corporation, limited liability company, general partnership, or limited partnership**] formed under the laws of the State of _____, [**or a sole proprietorship**] with its principal business address at _____("**you**" or "**your**").

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) you are a resident of Washington; and/or (b) the 16 Handles Store that you will operate under the Franchise Agreement will be located or operated wholly or partly in Washington; and/or (c) any of the offering or sales activity relating to the Franchise Agreement occurred in Washington.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

4. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

5. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

6. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

7. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in

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accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

8. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

9. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

10. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

11. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

12. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

13. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

14. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

15. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

16. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

17. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's

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earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

18. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum on the dates noted below, to be effective as of the Effective Date.

FRANCHISOR:	**FRANCHISEE:**
16 HANDLES FRANCHISING LLC	**[_____]**
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

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ADDENDUM TO THE 16 HANDLES FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN WASHINGTON

THIS ADDENDUM is made and entered into on _____, 20____ (the "Effective Date") by and between **16 HANDLES FRANCHISING LLC**, a limited liability company formed under the laws of the State of Delaware, with its principal business address at 450 Park Avenue South, Floor 3, New York, NY 10016, ("**we**," "**us**," or, "**our"**), and _____, a _____ [**corporation, limited liability company, general partnership, or limited partnership**] formed under the laws of the State of _____, [**or a sole proprietorship**] with its principal business address at _____("**you**" or "**your**").

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____, 20____ (the "Area Development Agreement") that has been signed concurrently with the signing of this Rider. This Addendum is annexed to and forms part of the Area Development Agreement. This Addendum is being signed because (a) you are a resident of Washington; and/or (b) the 16 Handles Store that you will operate under the Area Development Agreement will be located or operated wholly or partly in Washington; and/or (c) any of the offering or sales activity relating to the Area Development Agreement occurred in Washington.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.

3. The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

5. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

6. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

7. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee

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may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

8. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

9. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

10. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

11. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

12. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

13. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

14. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

15. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

16. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities

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to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

17. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

18. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

19. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum on the dates noted below, to be effective as of the Effective Date.

FRANCHISOR:	**FRANCHISEE:**
16 HANDLES FRANCHISING LLC	**[_____]**
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

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EXHIBIT E TO THE DISCLOSURE DOCUMENT
LIST OF FRANCHISEES
(Updated as of **December 31, 2024**)

Name	Address	Phone
Connecticut		
Erik Mallon	1300 Post Road, Fairfield, CT 06824	(203) 292-9841
Rich Decesare	219 Bedford St, Stamford, CT 06901	(203) 817-0707
Florida		
Jojo Froyo, LLC	4050 US Hwy 1, #316 Jupiter, FL 33477	(561) 672-7649
Crypto Legacy, LLC	3369 Pine Ridge Road, Unit 101, Naples, FL 34109	(917) 657-5289
New Jersey		
Taivab Zaidi	651 Kapkowski Rd, Elizabeth, NJ 07201	(908) 355-1616
Taivab Zaidi	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
My Dreams Froyo LLC	42 South Park Street, Montclair, NJ 07042	(972) 210-0004
New York		
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
Taiyab Zaidi	361 Mamaroneck Avenue, White Plains, NY 10605	(914) 607-7783
Eric Wolf	22 Jericho Turnpike, Jericho, NY 11590	(516) 761-5477
Ben Gruber	1005 Port Washington Boulevard, Port Washington NY 11050	(516) 439-4715
Flavor of Glenmont Inc.	380 Rte. 9W, Glenmont, NY 12077	(518) 433-1616
Lenny Spiegel	170 South Main St, New City, NY 10956	(845) 634- 1616
Paul Cervoni	27 Atlantic Ave, Lynbrook, NY 11563	(516) 341-7242
Emmanuel Lemen	3 Nassau Blvd South, Garden City NY 11530	(516) 746-0594
Taiyab Zaidi	139 North 7th Street, Brooklyn, NY 11249	(347) 599-0780
East Village Froyo, LLC*	153 2nd Avenue, New York, NY 10003	(212) 260-4414
Murray Hill Froyo, LLC*	428 Third Avenue, New York, NY 10003	(212) 213-1755
Chelsea Froyo, LLC*	178 8th Avenue, New York, NY 10011	(212) 627-2808
Tribeca Froyo, LLC*	155 Chambers Street, New York, NY 10007	(917) 472-7335
Amsterdam Ave Froyo, LLC*	325 Amsterdam Avenue, New York, NY 10023	(646) 861-1281
East 82 Froyo, LLC*	1569 2nd Avenue, New York, NY 10033	(616) 863-2522
Texas		
Waugh Froyo, LLC	765 Fish Creek Thoroughfare, Ste 1200, Montgomery, TX 77316	(713) 714-5755
ASD Foods, LLC	15922 Eldorado Pksy, #500, Frisco, TX 75035	(972) 369-7238

*The Franchisees are special purposes entities that have common ownership with us. Each is acting under its own Franchise Agreement.

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AREA DEVELOPERS AS OF DECEMBER 31, 2024

None.

SIGNED FRANCHISEES WITHOUT OPEN LOCATIONS AS OF DECEMBER 31, 2024

Name	Address	Phone
Arizona		
GILBERT SOFTSERVE, LLC	4040 S Arizona Ave, Chandler, AZ 85248.	(303) 746-1747
Florida		
Englewood Yogurt, LLC	110 Dearborn Street, Englewood, FL 34223	(941) 380-8963
AZ Froyo, LLC	400 South Orange Avene, Orlando, FL 32801	(407) 465-2000
Enjoy Hospitality Group, LLC	3231 South Dixie Highway, West Palm Beach, FL 33405	(508) 728-3852
SURFSIDE FROYO LLC	1150 102nd Street, Bay Harbor Islands, FL 33154	(901) 337-9803
GEORMINA LLC	327 Tahoe Ct Naples, FL 34119	(239) 285-7551
Maryland		
Amplified Novelties, LLC	TBD, Waldorf, MD	(240) 513-0171
New York		
SCP Froyo 1 LLC	300 Court St., Brooklyn, NY 11231	(732) 856-0195
GAVALLIE LLC	144 Larchmont Ave, Larchmont, NY 10538	(646) 891-8737
South Carolina		
Froyo Worldwide, LLC	80 Broad Street, Charleston, SC 29401	(518) 477-0549
Soaring Eagle Capital LLC	654 Point Hope Parkway, Charleston, SC 29492	(732) 673-3442
Barlow Delights LLC	4840 Forest Dr, Columbia, SC 29206	(803) 466-8587
Texas		
Duffys and Sons, LLC	8300 North Ranch to Market 620, Austin, Texas 78726	(512) 913-6614
LMTL, LLC	3340 FM 1092 Road, Missouri City, TX 77459	(843) 409-7447
DL Beverage, LLC	18802 West Airport Blvd., Richmond, TX 77407	(832) 752-1273
Waugh Froyo, LLC	FM-1488 & Spur 149, Magnolia, TX 77354	(707) 738-6446
Ellicary LLC	7310 Monarch Dr., Katy, TX 77493	(703) 609-9760

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EXHIBIT F TO THE DISCLOSURE DOCUMENT

16 HANDLES® Franchisees and/or Area Developers who had Stores Terminated, Cancelled, Not Renewed, Transferred or Otherwise Voluntarily or Involuntarily Ceased to do Business under a Franchise Agreement as of the Date of This Disclosure Document or Who has not Communicated with the Franchisor Within 10 Weeks of the Application Date:

TERMINATED FRANCHISEES (CLOSURES) AS OF DECEMBER 31, 2024

Laetitia Perinotti	1400 Glades Rd #170-B, Boca Raton, FL 33431	(561) 672-7649
Times Square Froyo, LLC*	732 7th Avenue, New York, NY 10019	(646) 861-1912

*The Franchisee is a special purposes entities that has common ownership with us. It was acting under its own Franchise Agreement.

TRANSFERS AS OF DECEMBER 31, 2024

Lawrence Jasenski	380 Rte. 9W, Glenmont, NY 12077	(518) 433-1616
Ben Gruber	22 Jericho Turnpike, Jericho, NY 11590	(516) 439-4715

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EXHIBIT G TO THE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

16 HANDLES FRANCHISING, LLC
BALANCE SHEET
DECEMBER 31, 2024

16 HANDLES FRANCHISING, LLC
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MUHAMMAD ZUBAIRY, CPA PC
Certified Public Accountant
646.327.7013

INDEPENDENT AUDITOR'S REPORT

To the Members of
16 Handles Franchising, LLC

Opinion

We have audited the financial statements of 16 Handles Franchising, LLC which comprise the balance sheets as of December 31, 2024 and 2023, the related statement of operations and changes in member's (deficit) and cash flows for the years 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 16 Handles Franchising, LLC as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years than 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 16 Handles Franchising, LLC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 16 Handles Franchising, LLC 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 16 Handles Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
>
> Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
>
> Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 16 Handles Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

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

Muhammad Zubairy, CPA
Westbury, NY
March 31, 2025

16 HANDLES FRANCHISING, LLC
BALANCE SHEET

ASSETS

	YEARS ENDED DECEMBER 31	
	2024	2023
Current Assets		
Cash	$ 331,100	$ 308,631
Accounts Receivable	184,127	141,731
Inventory	27,007	11,640
Prepaid expenses	4,218	7,800
Contract Assets	21,750	14,000
Total Current Assets	568,202	483,802
Contract assets, net of depreciation	171,125	119,500
Security deposit	8,430	8,430
Fixed assets, net	2,133	2,933
Intangible assets, net	5,771,556	5,974,889
	5,953,244	6,105,752
Total Assets	$ 6,521,446	$ 6,589,554

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities		
Accounts payable and accrued expenses	$ 101,410	$ 32,470
Gift card liability	125,801	114,031
SBA loan	291,139	266,329
Deferred co-branding revenue	28,372	16,683
Note payable	405,890	405,890
Contract Liabilities	111,487	157,700
Total Current Liabilities	1,064,099	993,103
SBA loan, net of current	2,863,440	3,134,291
Note payable, net of current	2,390,831	2,163,498
Contract Liabilities, net of current	262,471	147,250
Total Liabilities	6,580,841	6,438,142
Members' Equity	(59,395)	151,412
Total Liabilities and Shareholders' (Deficit)	$ 6,521,446	$ 6,589,554

See Notes to financial statements

16 HANDLES FRANCHISING, LLC
STATEMENTS OF OPERATIONS AND Members' Equity

	YEARS ENDED DECEMBER 31	
	2024	2023
Revenues		
Royalties	$ 917,198	$ 800,182
Franchise fees	170,992	133,700
Product Sales	175,021	128,391
Marketing fees	378,641	337,503
Co-Branding fees	1,500	65,000
Rebate Income	166,154	166,932
Other revenues	73,655	25,582
Total Revenues	1,883,161	1,657,290
Cost of Goods Sold Product Sales	82,172	55,890
Gross Profit	1,800,989	1,601,400
Operating Expenses	2,011,796	1,795,208
Net Income (Loss)	(210,807)	(193,808)
Members' Equity - Beginning	151,412	345,220
Members' contributions (distributions)	—	—
Members' Equity - Ending	$ (59,395)	$ 151,412

See Notes to financial statements

16 HANDLES FRANCHISING, LLC
STATEMENT OF CASH FLOWS

	YEARS ENDED DECEMBER 31	
	2024	2023
Cash Flow From Operating Activities		
Net income (loss)	$ (210,807)	$ (193,808)
Depreciation and amortization	204,133	204,133
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(42,396)	(21,438)
Inventory	(15,367)	(10,228)
Prepaid expenses	3,582	(3,250)
Contract Assets	(59,375)	(133,500)
Security deposit	—	-
Accounts payable and accrued expenses	68,940	(45,547)
Gift card liability	11,770	13,122
Deferred Co-Branding fees	11,689	(32,014)
Deferred franchise fees	69,008	276,300
	41,177	53,770
Cash Flow from In Financing Activities		
Loan Principal payments	(387,130)	(388,772)
Interest Expense	368,422	408,326
	(18,708)	19,554
Net Increase (Decrease) In Cash	22,469	73,324
Cash - Beginning of Year	308,631	235,307
Cash - End of Year	$ 331,100	$ 308,631

See Notes to financial statements

1. THE COMPANY

16 Handles Franchising, LLC (the Company) is a Delaware Corporation, formed in July 18, 2022. The Company was formed to purchase all assets, including all franchise agreements, from Yo Fresh, Inc. Upon acquisition, the Company will sell franchises under the trademark "16 Handles," for which it will earn 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.

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, 2024, exceeded the Federal Deposit Insurance Company's (FDIC) insurance limit of $250,000 by $81,100 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.

Impairment of Long-Lived Assets-The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets consist primarily of intangible assets. Recoverability of assets is measured by a comparison of the carrying amount of an asset group to future net cash flows expected to be generated by the asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. For the year ended December 31, 2023, the Company did not recognize any impairment of long-lived assets.

Taxes on Income-The Company files as a limited liability company for federal and state income tax purposes, and income and expenses of the Company pass through directly to the members and are reported on their individual income tax returns. The Company is headquartered in New York City and is subject to the New York City General Corporation Tax which has a rate of 8.85% of taxable income. The Company did not accrue New York City tax as of December 31, 2023, as it had no operating income.

3. REVENUE RECOGNITION

The Company implemented Financial Accounting Standards Board ('FASB'') Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* (''Topic 606'') at inception. 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. CONTRACT LIABILITIES AND CONTRACT ASSETS

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, 2024 and 2023 were $373,958 and $304,950, respectively. Deferred commissions paid but not yet incurred as of December 31, 2024 and 2023 were $192,875 and $133,500, respectively.

5. BRAND FUND FEES

The Partnership’s franchise agreement allows for collection of marketing fees of 2% of the Gross Sales of Franchised Business during the preceding calendar month. Any unused funds, carry forward to subsequent periods. Marketing funds collected for the years ending December 31, 2024 were $378,641. Advertising expenditures for the years ending December 31, 2024 was $382,417. As of December 31, 2024, The Company’s marketing funds collected exceeded marketing expenditures by $3,776.

6. INTANGIBLES

Intangible assets consist of the purchase of intellectual property including trademarks/trade names, technology, and the franchise management system all acquired from Yo Fresh, Inc. on August 2023. Amortization expense was $203,333 and $203,333 for the year ended December 31, 2024 and 2023, respectively. Accumulated amortization for the year ended December 31, 2024 and 2023 were $474,444 and $271,111, respectively.

7. **NOTES PAYABLE**

On August 15, 2022, the Company acquired substantially all of the assets, including franchise agreements, and all liabilities of Yo Fresh, Inc. The Company utilized bank financing though a in the amount of $3,666,0000 and seller-financed debt instruments in the amount of $2,250,000. The Company entered into a promissory note with the seller that requires quarterly payments

7. **NOTES PAYABLE (cont'd)**

with accrued interest of wall-street prime rate plus 2.75%. The Company has an outstanding note payable balance of $2,796,721, which includes principal amount of $2,250,000 and accrued interest of $546,721.

Note Payable on December 31, 2023 are scheduled to mature as follows:

Due in 2025	$ 405,890
Due in 2026	440,220
Due in 2027	484,330
Due in 2028	344,480
Due after 2028	1,121,801
Total Note Payable	$ 2,796,721

8. SBA LOAN

The Company entered into a loan agreement with the U.S. Small Business Administration ("SBA") in the amount of $3,666,000 to finance the acquisition. The Loan was secured by the assets of the Company and payable in monthly installments of $44,964 including interest at 8.25%. Final payments are due August 2032. The Partnership is allowed to make advance payments on this loan. The balance of the loan at December 31, 2024 was $3,154,579.

Long-term debt at December 31, 2024 are scheduled to mature as follows:

Due in 2025	$ 291,139
Due in 2026	316,087
Due in 2027	343,173
Due in 2028	372,581
Due after 2028	1,831,599
Total	$ 3,154,579

9. 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 though March 31, 2025, the time at which the financial statements were available to be issued.

16 HANDLES FRANCHISING, LLC
BALANCE SHEET
DECEMBER 31, 2022

16 HANDLES FRANCHISING, LLC
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MONIS J. SIDDIQUI, CPA P.C.
Certified Public Accountant
917.309.5670

INDEPENDENT AUDITOR'S REPORT

To the Members of
16 Handles Franchising, LLC

Opinion

We have audited the financial statements of 16 Handles Franchising, LLC which comprise the balance sheets as of December 31, 2022, the related statement of operations and changes in member's (deficit) and cash flows for the period of August 15, 2022 through December 31, 2022, 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 16 Handles Franchising, LLC as of December 31, 2022, and the results of its operations and its cash flows for the period of August 15, 2022 through December 31, 2022 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 16 Handles Franchising, LLC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 16 Handles Franchising, LLC 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 16 Handles Franchising, LLC's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 16 Handles Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

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

Monis Siddiqui, CPA P.C.
Bellerose, NY
April 28, 2023

16 HANDLES FRANCHISING, LLC
BALANCE SHEET
YEAR ENDED DECEMBER 31,

ASSETS

		2022
Current Assets		
Cash	$	235,307
Accounts Receivable		120,293
Inventory		1,412
Prepaid expenses		4,550
Total Current Assets		361,562
Security deposit		8,430
Fixed assets, net		3,733
Intangible assets		6,178,222
		6,190,385
Total Assets	$	6,551,947

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities		
Accounts payable and accrued expenses	$	78,017
Gift card liability		100,909
SBA loan		258,130
Deferred co-branding revenue		48,697
Note payable		5,763
Deferred franchise fees		5,700
Total Current Liabilities		497,216
SBA loan, net of current		3,367,173
Note payable, net of current		2,319,388
Deferred franchise Fees, net of current		22,950
Total Liabilities		6,206,727
Members' Equity		345,220
Total Liabilities and Shareholders' (Deficit)	$	6,551,947

See Notes to financial statements

16 HANDLES FRANCHISING, LLC
STATEMENTS OF OPERATIONS AND Members' Equity
FOR THE PERIOD OF AUGUST 15, 2022 THROUGH DECEMBER 31,

	2022
Revenues	
Royalties	$ 254,901
Franchise fees	1,350
Yogurt Sales	274,809
Franchise advertising fees	107,393
Co-Branding fees	25,000
Rebate Income	47,509
Other revenues	6,479
Total Revenues	717,441
Cost of Goods Sold Yogurt Sales	252,220
Gross Profit	465,221
Operating Expenses	752,845
Net Income (Loss)	(287,624)
Members' Equity - Beginning	-
Members' contributions (distributions)	632,844
Members' Equity - Ending	$ 345,220

See Notes to financial statements

16 HANDLES FRANCHISING, LLC
STATEMENT OF CASH FLOWS
FOR THE PERIOD OF AUGUST 15, 2022 THROUGH DECEMBER 31,

	2022
Cash Flow From Operating Activities	
Net income (loss)	$ (287,624)
Depreciation and amortization	68,045
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(120,293)
Inventory	(1,412)
Prepaid expenses	(4,550)
Security deposit	(8,430)
Accounts payable and accrued expenses	78,017
Gift card liability	100,909
Deferred Co-Branding fees	48,697
Deferred franchise fees	28,650
	(97,991)
Cash Flow from Investing Activities	
Fixed assets acquisition	(4,000)
Intangibles acquisition	(6,246,000)
Members' contributions	632,844
	(5,617,156)
Cash Flow from In Financing Activities	
Proceeds from notes payable	2,250,000
Proceeds from SBA Loan	3,666,000
Loan Principal payments	(40,697)
Interest Expense	75,151
	5,950,454
Net Increase (Decrease) In Cash	235,307
Cash - Beginning of Year	—
Cash - End of Year	$ 235,307

See Notes to financial statements

1. THE COMPANY

16 Handles Franchising, LLC (the Company) is a Delaware Corporation, formed in July 18, 2022. The Company was formed to purchase all assets, including all franchise agreements, from Yo Fresh, Inc. Upon acquisition, the Company will sell franchises under the trademark "16 Handles," for which it will earn 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.

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, 2022, 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.

Impairment of Long-Lived Assets-The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets consist primarily of intangible assets. Recoverability of assets is measured by a comparison of the carrying amount of an asset group to future net cash flows expected to be generated by the asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. For the year ended December 31, 2022, the Company did not recognize any impairment of long-lived assets.

Taxes on Income-The Company files as a limited liability company for federal and state income tax purposes, and income and expenses of the Company pass through directly to the members and are reported on their individual income tax returns. The Company is headquartered in New York City and is subject to the New York City General Corporation Tax which has a rate of 8.85% of taxable income. The Company did not accrue New York City tax as of December 31, 2022, as it had no operating income.

3. REVENUE RECOGNITION

The Company implemented Financial Accounting Standards Board ('FASB'') Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* (''Topic 606'') at inception. 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, 2022, were $28,650, respectively.

5. BRAND FUND FEES

The Partnership’s franchise agreement allows for collection of marketing fees of 2% of the Gross Sales of Franchised Business during the preceding calendar month. Any unused funds, carry forward to subsequent periods. Marketing funds collected for the years ending December 31, 2022, were $128,183. Advertising expenditures for the years ending December 31, 2022, was $76,178. The Company’s marketing funds expenditures exceeded marketing collected by $52,005 as of December 31, 2022.

6. INTANGIBLES

Intangible assets consist of the purchase of intellectual property including trademarks/trade names, technology, and the franchise management system all acquired from Yo Fresh, Inc. on August 2022. Amortization expense was $67,788 for the year ended December 31, 2022.

7. NOTES PAYABLE

On August 15, 2022, the Company acquired substantially all of the assets, including franchise agreements, and all liabilities of Yo Fresh, Inc. The Company utilized bank financing though a in the amount of $3,666,0000 and seller-financed debt instruments in the amount of $2,250,000. The Company entered into a promissory note with the seller that requires quarterly payments with accrued interest of wall-street prime rate plus 2.75%. The Company has an outstanding note payable balance of $2,325,150, which includes principal amount of $2,250,000 and accrued interest of $75,272.

7. NOTES PAYABLE (cont'd)

Note Payable on December 31, 2022 are scheduled to mature as follows:

Due in 2023	$ 5,763
Due in 2024	400,127
Due in 2025	440,220
Due in 2026	484,330
Due after 2026	994,710
Total Note Payable	$ 2,325,150

8. SBA LOAN

The Company entered into a loan agreement with the U.S. Small Business Administration ("SBA") in the amount of $3,666,000 to finance the acquisition. The Loan was secured by the assets of the Company and payable in monthly installments of $44,964 including interest at 8.25%. Final payments are due August 2032. The Partnership is allowed to make advance payments on this loan. The balance of the loan at December 31, 2022 was $3,625,303.

Long-term debt at December 31, 2022 are scheduled to mature as follows:

Due in 2023	$ 258,130
Due in 2024	266,329
Due in 2025	289,151
Due in 2026	313,929
Due after 2026	2,497,765
Total	$ 3,625,303

9. 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 though April 28, 2023, the time at which the financial statements were available to be issued.

EXHIBIT H TO THE DISCLOSURE DOCUMENT
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EXHIBIT I TO THE DISCLOSURE DOCUMENT
FORM OF GENERAL RELEASE

THIS AGREEMENT ("Agreement") is made and entered into this ____ day of _____, 20___ by and between 16 Handles Franchising, LLC, a Delaware limited liability company having its principal place of business located at 450 Park Avenue South, Floor 3, New York, NY 10016 (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. Delaware 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.

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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 York.

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:	16 Handles Franchising LLC:
_____	By:_____ Name:_____ Title:_____

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EXHIBIT J 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
California	
Hawaii	N/A
Illinois	
Indiana	
Maryland	
Michigan	N/A
Minnesota	N/A
New York	
North Dakota	N/A
Rhode Island	N/A
South Dakota	N/A
Virginia	
Washington	N/A
Wisconsin	N/A

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.

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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 16 Handles Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York 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 16 Handles Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

The franchisor is 16 Handles Franchising, LLC, located at 450 Park Avenue South, Floor 3, New York, NY 10016. Its telephone number is (551) 222-6043.

Issuance Date: April 2, 2025

The name, principal business address and telephone number of the franchise sellers for this offering are:

Neil Hershman, 450 Park Avenue South, Floor 3, New York, NY 10016**;** (551) 222-6043
Frederick Frey, 450 Park Avenue South, Floor 3, New York, NY 10016**;** (551) 222-6043

16 Handles Franchising, LLC authorizes the agents listed in Exhibit A to receive service of process for it.

I have received a disclosure document dated April 2, 2025 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

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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 16 Handles Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York 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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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 16 Handles Franchising, LLC at 450 Park Avenue South, Floor 3, New York, NY 10016 or by emailing a copy of the signed and dated receipt to 16 Handles Franchising, LLC at Franchise@16Handles.com; neil@16handles.com and info@16handles.com.

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