FRANCHISE DISCLOSURE DOCUMENT

REIS & IRVY'S
the future of frozen yogurt

Reis & Irvy's, Inc.
a Nevada corporation

2620 Financial Court, Suite 100
San Diego, California 92117
(888) 902-7558
(858) 210-4200
www.reisandirvys.com
~~www.froyobusiness.com~~
~~www.froyofranchising.com~~
info@reisandirvys.com

As a franchisee, you will own and operate robotic soft serve vending kiosks ("Robots") that dispense frozen yogurt and other frozen soft serve treats in approved locations such as museums, entertainment venues, retail locations, business offices, hotels, hospitals, schools, universities and industrial facilities.

The total investment necessary to begin operation of a Reis & Irvy's franchise business is

~~$183,450~~ $139,950 to $~~683,900~~1,114,150. This amount includes $~~22,500~~120,000 to $~~600,000~~1,004,250 that must be paid to the Franchisor.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact ~~Art Budman~~Ryan Polk at 2620 Financial Court, Suite 100, San Diego, California 92117, telephone 888-902-7558 (Toll Free).

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 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: October 19, 2018 as amended May 3, 2019

STATE COVER PAGE

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

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

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

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

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO SUBMIT DISPUTES WITH US TO MEDIATION PRIOR TO FILING ANY LITIGATION. MEDIATION AND ANY LITIGATION WILL TAKE PLACE IN THE COUNTY IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED (CURRENTLY, SAN DIEGO COUNTY, CALIFORNIA). OUT OF STATE MEDIATION AND/OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE OR LITIGATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.

2. THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE YOU WITH THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. OUR PARENT COMPANY, WHICH GUARANTEES THE PERFORMANCE OF OUR OBLIGATIONS UNDER THE FRANCHISE AGREEMENT, IS CURRENTLY OPERATING AT A LOSS. ITS BALANCE SHEET AS AT JUNE 30, 2018, SHOWS NEGATIVE WORKING CAPITAL IN THE AMOUNT OF ($17,312,311) AND A STOCKHOLDERS' DEFICIT IN THE AMOUNT OF $(15,933,107). YOU SHOULD TAKE THIS FACTOR INTO CONSIDERATION WHEN DECIDING WHETHER TO PURCHASE A FRANCHISE.

4. YOUR SPOUSE MAY BE REQUIRED TO SIGN A DOCUMENT THAT MAKES YOUR SPOUSE LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT, EVEN THOUGH YOUR SPOUSE HAS NO OWNERSHIP INTEREST IN THE BUSINESS. THIS GUARANTY WILL PLACE BOTH YOUR AND YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS, PERHAPS INCLUDING YOUR HOUSE, AT RISK IF YOUR FRANCHISE FAILS.

5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We may use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure todo your own investigation of the franchise.

Effective Date: See the next page for state effective dates.

STATE EFFECTIVE DATES

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

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

California effective date:	October 25, 2018
Hawaii effective date:	December 17, 2018
Illinois effective date:	October 22, 2018
Indiana effective date:	October 23, 2018
Maryland effective date:	November 30, 2018
Michigan effective date:	October 19, 2018
Minnesota effective date:	October 29, 2018
New York effective date:	November ~~6~~2, 2018
North Dakota effective date:	November 2, 2018
Rhode Island effective date:	October 22, 2018
Virginia effective date:	November 6, 2018
Washington effective date:	December 6, 2018
Wisconsin effective date:	October 19, 2018

In all other states that do not require registration, the effective date of this Disclosure Document is the issuance date of October 19, 2018 as amended May 3, 2019.

THE FOLLOWING APPLY TO
TRANSACTIONS GOVERNED BY
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY

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

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

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

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a Franchise Agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

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

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the Franchise Agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

The fact that there is a notice of this offering on file with the Attorney General does not constitute approval, recommendation, or endorsement by the Attorney General.

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

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

Note: Despite subparagraph (f) above, we intend, and we and you agree to fully enforce the dispute resolution provisions of the Franchise Agreement. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing these dispute resolution provisions. You acknowledge that we will seek to enforce the dispute resolution provisions as written.

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Applicable state law might require additional disclosures related to the information contained in this Disclosure Document. These additional disclosures appear in Exhibit C.

ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this franchise disclosure document ("Disclosure Document"), "R&I", "we" and "us" means Reis & Irvy's, Inc., the franchisor. "You" means the person who buys the franchise from us. If you are a corporation, partnership or limited liability company, your owners will have to guarantee your obligations and be bound by the provisions of the Franchise Agreement and other agreements as described in this Disclosure Document. Spouses of owners may also be required to consent to the guaranty.

We were organized as a Nevada corporation on March 7, 2016, and we began offering franchises in the United States in April 2016 and in Canada in June 2016. Our principal place of business is 2620 Financial Court, Suite 100, San Diego, CA 92117. Our agents for service of process are listed in Exhibit A to this Disclosure Document.

We conduct business only under the name Reis & Irvy's, Inc. We do not and have not offered franchises for sale in any other line of business. We do not operate businesses of the type being franchised. We have no other business activities.

Our parent company is Generation NEXT Franchise Brands, Inc. (formerly Fresh Healthy Vending International, Inc.) ("GNFB"), a Nevada corporation traded on the over-the-counter stock market under the symbol "VEND." Under an Intellectual Property License Agreement, GNFB has licensed to us the right to use and sublicense the Marks (defined below) to Reis & Irvy's franchisees. GNFB has no other business activities and has never offered franchises for sale in any line of business.

Our ~~affiliate, 19 Degrees,~~parent, Generation Next Franchise Brands Inc., acquired certain assets of Robofusion, Inc. ("Robofusion"), an unaffiliated third party, in ~~early~~ 2016, ~~including~~and, from other third parties, the company-owned Robots identified in Item ~~20~~19 of this Disclosure Document. Robofusion designed and developed the technology for the Robots. Robofusion has operated a few of its own Robots. In addition, Robofusion has sold a limited number of Robots to third parties. Robofusion has never sold or offered franchises.

Under a Distribution and License Agreement between GNFB and Robofusion dated February 18, 2016, Robofusion granted GNFB the right to sublicense the Marks to franchisees in the United States and its territories ~~(but excluding Puerto Rico)~~ and Canada. GNFB assigned its rights under the Distribution and License Agreement to us. Subsequently, on December 29, 2016, GNFB entered into a purchase agreement and closed a transaction to purchase certain assets of Robofusion, including the Marks and certain patent rights.

From April 2010 to September 2016, our affiliate, Fresh Healthy Vending LLC ("FHV"), a California limited liability company, offered franchises for vending machines and micro markets using the Fresh Healthy Vending® trademark that ~~dispenses~~dispensed a variety of healthy, natural and organic snack foods and beverage products. ~~FHV previously operated company-owned vending machines and micro markets, but as of~~ FHV ceased operations in September 2018~~, no longer operates any vending machines or micro markets. As of June 30, 2018 (which is FHV's fiscal year end), there were 571 franchised FHV vending machines and micro markets in existence~~.

GNFB~~, FHV,~~ and 19 Degrees, Inc. share our principal business address, and except as described above, they do not offer franchises in any other line of business. Except as described above, we have no other predecessors, parents or affiliates required to be disclosed in Item 1.

Under this Disclosure Document, we offer franchises to own and operate (including maintaining, stocking, servicing, repairing and cleaning) robotic soft serve vending kiosks ("Robots") that dispense frozen confectionary treats (such as frozen yogurt, ice cream, and sorbet) in approved locations such as museums, entertainment venues, retail locations, business offices, hotels, hospitals, schools, universities and industrial facilities.

If you purchase a franchise, you will execute our franchise agreement included with this Disclosure Document as Exhibit B. You will own and operate a minimum number of Robots (at least 3) at locations ("Locations") that we secure (or at Locations that you secure, subject to our approval) within a specified geographic area ("Territory"). You will enter into a location agreement with each Location owner. You will pay a percentage of the gross revenue or gross profit you obtain from your Robots to the Location owners where your Robots are located. We do not enter into any type of arrangement with the owners of the Locations where your Robots are located, and we are not a party to your location agreements.

You will use the trademarks, trade names, service marks, designs, emblems, logos, graphics, slogans, trade dress, and commercial symbols we designate, including the service mark "REIS & IRVY'S" (the "Marks") and operate your business according to our specifications for Robot equipment, uniforms, designated product offerings, standard operating and administrative procedures, and management and technical training programs (the "System").

You may choose to purchase 2, 3, 6, 9, 12 or ~~12~~20 Robots. For each Robot at a single Location, you will need approximately 24 square feet of storage space for product inventory. Your storage space will generally consist of refrigerated space (or a standard top freezer unit) and dry supply storage.

You will compete with local, regional and national companies that operate competing vending offerings or that provide food service or refreshment services. You will also compete with convenience stores, quick service restaurants, and fast food chains. The market for the products is well developed and competitive and is generally non-seasonal (except for Robots located at schools and other seasonal locations).

You must obtain any health permits, including a food handler's license, or other state, county, or local permits necessary to operate the Robots at your Locations. Local and county food and environmental health services departments will require a Food Establishment License for either the Robot or the venue in which it is operating. If the venue has an existing license, you may be able to operate under it but will still be required to obtain food handlers licenses/permits for all operators of the Robots.

Other than disclosed above, we are not aware of any other laws, rules or regulations specific to the operation of your franchise business, other than those applicable to businesses generally. You should investigate whether there are any regulations or requirements specific to your Territory and give due consideration to any increased costs you may incur as a result of complying with those requirements.

ITEM 2 BUSINESS EXPERIENCE

Founder, Chairman, and Chief Executive Officer: Nicholas Yates

Mr. Yates ~~has been a~~is the founder and has been the Chairman of our company since its formation in March 2016 and has held the position of Chairman with GNFB since ~~July 2013~~2010, focusing on developing company-owned businesses, international franchising, company financings and investor relations. Since September 2018, Mr. Yates has been Chief Executive Officer of us and GNFB. From February 2013 to October 2014, he was FHV's Vice President of Corporate Operations. ~~From 2006 to 2010 Mr. Yates oversaw the operations of FHV Holdings Corp. ("FHV Holdings"), a California corporation incorporated in April 2006 in Solana Beach, California. Since July 2013, Mr. Yates has served as the Chairman of the Board of Directors of GNFB and has also been the Vice President of Operations for GNFB.~~

Chief Financial Officer~~: Arthur Budman~~ and Chief Operating Officer : Ryan Polk

Ryan Polk has been the Chief Operating Officer and Chief Financial Officer of GNFB since April 2019. Mr. Polk has held President, CFO, and COO positions with founder and private equity owned consumer products companies with revenues above $150 million. Before joining the Company, Polk was a principal with Perissos Partners in Irvine, California, from June 2017 to March 2019. He was Vice President of LDI Ltd., LLC in Indianapolis, Indiana from July 2011 to May 2017 where he also led the mergers and acquisitions team.

~~Mr. Budman has been our Chief Financial Officer since our inception in March 2016 and holds the same position with FHV and GNFB since October 1, 2014. Mr. Budman previously served as our Chief Executive Officer from our inception to September 2018 and held the same position with FHV and GNFB from October 1, 2014, to September 2018. From May 2014 to September 2014, he oversaw FHV's and GNFB's financial and accounting departments in a consultant capacity. Mr. Budman has been a Managing Partner of Ameritege Technology Partners, a boutique private equity firm located in San Diego California, since February 2002. Mr. Budman has been a principal at Rudy Biscuit, Inc., an overstock merchandise liquidation business, since March 2011.~~

Director, Franchise Development: Glenn (T.J.) Rogers, Jr.

Mr. Rogers has been our Director of Franchise Development since our inception in March ~~2016 and~~2016and for FHV since October 2015. From January 2015 to October 2015, Mr. Rogers was FHV's Franchise Development Coordinator. From January 2014 to January 2015, Mr. Rogers was a consultant for FHV. Since January 2014, Mr. Rogers has served as President of Gemini Enterprises, Inc., in San Diego, California. From September 2013 to January 2014, Mr. Rogers was a Sales Representative for NuVasive, Inc., in San Diego, California. From May 2011 to September 2013, Mr. Rogers was FHV's Franchise Sales Manager.

Director of Marketing: Andrew Beach

Mr. Beach has been our Director of Marketing since April 29 ,2019. Mr.
Beach was previously our General Manager from July 2018 to April 29, 2019 and was our Director of International Licenses~~: Andrew Beach~~

~~Mr. Beach has been our General Manager since July 2018 and our Director of International Licenses since~~ from February 2018 until April 29, 2019. Before joining us, Mr. Beach was the Founder and President of MRKT More, LLC, in Newport Beach, California, from August 2017 to February 2018. From June 2015 to August 2017, Mr. Beach served in various roles for United Franchise Group in Newport Beach, California, including Regional Vice President (June 2016 to August 2017) and Regional Manager (June 2015 to October 2016). From January 2013 to August 2015, Mr. Beach served in various roles for Transworld Business Advisors, headquartered in West Palm Beach, Florida, including Sales and Operations Advisor (January 2013 to December 2014) and Regional Manager (February 2014 to August 2015).

Vice President, Operations: Nikolas Wright

Mr. Wright has been our Vice President, Operations, since November 2016. From November 2009 to November 2016, Mr. Wright was President of Food & Beverage for Sopra Brands in Salt Lake City, Utah.

~~**Operations Manager: Ryan Ball**~~

~~Ryan Ball has been our Operations Manager since our inception in March 2016 and FHV's Operations Manager since October 2011.~~

ITEM 3
LITIGATION

~~**ITEM 3 LITIGATION**~~

FRANCHISOR LITIGATION

Tarnoff v. Reis & Irvy's, Inc. (Case No. 37-2019-00021956-CU-BC-CTL Superior Court of the State of California for the County of San Diego, filed April 29, 2019.)

Plaintiff, a Reis & Ivy's franchisee, filed a complaint against Reis & Irvy's and its Chief Executive Officer, Nicholas Yates, alleging breach of contract, negligent misrepresentation and a violation of the California Franchise Investment Law. The complaint sought rescission of the franchise agreement, restitution, and attorney's fees. On May 2, 2019, the parties entered into a settlement agreement whereby Reis & Irvy's agreed to rescind the franchise agreement, to refund $110,000 paid by the plaintiff under the franchise agreement, and to pay $9,000 in plaintiff's attorney's fees. Plaintiff agreed that Nicholas Yates did not directly sell the franchise to the Plaintiff and had no role in Plaintiff's purchase of the Franchise. Plaintiff agreed to amend the complaint removing Nicholas Yates as a party and will then dismiss the case with prejudice. No payment is being made by Nicholas Yates, but he will guarantee Reis & Irvy's' obligation to make such payments.

LITIGATION INVOLVING PERSONS IDENTIFIED IN ITEM 2

COMPLETED MATTERS

~~In Re: California Corporations Commissioner v. Fresh Healthy Vending LLC, California Department of Corporations, File No. 993-6326. Order entered March 18, 2013.~~

~~On March 18, 2013, FHV entered into a Settlement Agreement with the State of California, Department of Corporations (now known as the California Department of Business Oversight (the "DBO"). The DBO had alleged that FHV failed to notify the DBO concerning material changes in information contained in its 2010 and 2011 franchise disclosure documents and failed to disclose information concerning FHV's predecessor and parent companies, two of FHV's principals who had management responsibilities, litigation history alleging fraud and deceptive practices, and the bankruptcy history of an officer and two principals who had management responsibilities. Without admitting or denying the allegations, FHV agreed to the entry of an order that (a) retroactively revoked the effectiveness of FHV's California franchise registrations for 2010 and 2011, (b) denied effectiveness of FHV's franchise registration for 2012, (c) requires FHV to desist and refrain from making material misrepresentations or omissions in franchise registration applications filed with the DBO and to notify the DBO of any material changes, and (d) required FHV to extend a one-time offer of rescission (refund of initial fees and repurchase of Vending Machines at depreciated value) to all of FHV's franchisees in California. FHV also agreed to waive its rights to a hearing and judicial review of this matter. Of the 13 franchisees offered rescission, nine declined the offer, two franchisees accepted and two franchisees filed lawsuits against FHV seeking rescission, both of which were subsequently settled, as described below in Item 3.~~

~~On or about February 27, 2014 the DBO delivered a "Notice of Intention to Issue Stop Order and Stop Order Denying Effectiveness of Franchise Registration Application," based on FHV's sale of three franchises in California during August and September 2012 when FHV was not registered to do so. The Notice further alleged that FHV issued an advertisement during the same period and criticized management for allegedly not exercising due diligence. FHV offered rescission to the three franchisees, two of whom accepted (one who received a return of her deposit and the other who rescinded his agreement and received a refund of a portion of his payments to FHV) and one who declined.~~

~~In Re: California Commissioner of Business Oversight v. Fresh Healthy Vending LLC, California Department of Business Oversight, File No. 993-6326. Order Entered November 7, 2014.~~

~~Despite the Department's February 27, 2014 stop order denying effectiveness of FHV's franchise registration, FHV continued to offer and sell franchises to franchisees in other states without fully disclosing denial of its registration in the State of California and in the State of Washington, as described below. On April 2, 2014 the DBO issued a "First Amended Statement of Issues in Support of Stop Order and Stop Order Denying Effectiveness of Franchise Registration Application" prohibiting FHV from selling franchises in California until February 28, 2016, or until further order of the Commissioner. In June 2014, FHV received an inquiry from the DBO related to the sale of 15 franchises that occurred between March 2014 and May 2014.~~

~~FHV admitted to the DBO's findings, resulting in the DBO, on November 7, 2014, issuing a Stop Order and Citation ("Stop Order"), which denied effectiveness of FHV's franchise registration and prohibited FHV from selling franchises in the state of California until November 7, 2016. The DBO found that FHV engaged in offers and sales of franchises in California without registration with respect to the three franchise sales FHV made in August and September 2012, that the sale of 15 franchises that occurred outside the state of California between March 2014 and May 2014 were made pursuant to a franchise disclosure document that contained omissions of material facts by failing to disclose the DBO's prior stop order and the statement of charges and notice of intent to enter an order to cease and desist issued by the state of Washington, and that FHV's prior management failed to exercise due diligence with regard to FHV's registration and disclosure obligations and exposed prospective franchisees to unreasonable risk. The DBO also denied FHV's registration application filed in California on October 3, 2013, imposed administrative penalties against FHV of $37,500, required FHV to pay attorneys' fees of $18,200 and required FHV to again offer rescission and restitution to the 15 franchisees who purchased franchises between March 2014 and May 2014. Nine of the 15 franchisees accepted FHV's offer of rescission. As required by the Stop Order, FHV developed and implemented a compliance program and engaged an independent monitor for the duration of the Stop Order to review and report to the DBO FHV's compliance activities, including compliance with the Stop Order. The conditions of the Stop Order expired on November 7, 2016.~~

~~In Re: Violation of the Washington Investment Protection Act by Fresh Healthy Vending LLC and Jolly Backer; Washington Department of Financial Institutions, Order S-11-0712-12-CO01 (May 24, 2012).~~

~~The Securities Division of the Washington Department of Financial Institutions ("DFI") alleged that FHV and Mr. Backer, the former Chairman of the Board of FHV Holdings, (a) made inaccurate or incomplete disclosures in FHV's 2010 and 2011 franchise disclosure documents regarding (i) FHV's business experience and the business experience of FHV's directors and managers, (ii) the litigation history of Mark Trotter, a former shareholder of FHV Holdings, and Mr. Yates, (iii) Mr. Backer's bankruptcy history, and (iv) the relationship among FHV, FHV Holdings, Mr. Yates, and Mr. Trotter; (b) solicited the sale of franchises in Washington using inaccurate or incomplete franchise disclosure documents or franchise disclosure documents that had not yet been registered; and (c) sold at least one franchise in the State of Washington using an inaccurate franchise disclosure document. Without admitting or denying the DFI's findings of fact or conclusions of law, FHV and Mr. Backer agreed to (a) cease and desist from the offer and sale of franchises in violation of the Washington Franchise Investment Protection~~

~~Act, (b) pay the Securities Division $5,000 for its costs of investigation of the matter, and (c) waive all rights to a hearing and judicial review of the matter.~~

In Re: Violation of the Washington Business Opportunity Fraud Act by Mark Trotter, Nicholas Franklyn Yates, and FHV Holdings Corp. (f/k/a YoNaturals Incorporated), Washington Department of Financial Institutions, Order S-12-0911-12-CO01 (May 30, 2012).

The Washington DFI alleged that, between 2007 and 2009, FHV Holdings, Mr. Yates and Mr. Trotter offered and sold business opportunities in Washington without a registered disclosure document and without providing a disclosure document to the purchasers of those business opportunities. Without admitting or denying the State's findings of fact or conclusions of law, FHV Holdings, Mr. Yates, and Mr. Trotter agreed to (a) cease and desist from the offer and sale of business opportunities in violation of the Business Opportunity Fraud Act of the State of Washington, (b) pay the Securities Division $3,000 for its costs of investigation of the matter, and (c) waive all rights to a hearing and judicial review of this matter.

In February 2014, the Washington DFI issued a notice to us entitled: "Statement of Charges and Notice of Intent to Enter Order to Cease and Desist". The Notice alleged that (a) one Washington resident had purchased, and two had received offers to purchase, franchises from FHV in April, May and November of 2012, when FHV was not registered in the State of Washington, and (b) the disclosures made in FHV's franchise disclosure documents did not include certain information regarding the prior consent order issued by the DFI and, therefore, violated the consent order. The Notice provides for the right to an adjudicative hearing before an administrative law judge. FHV LLC exercised its right to a hearing on or about March 2014. On June 9, 2014, the DFI issued a Consent Order providing that (a) FHV and its agents and employees cease and desist from offering or selling franchises in violation of RCW 19.100.020, the registration section of the Franchise Investment Protection Act of the state of Washington; (b) FHV and its agents and employees shall each cease and desist from violating RCW 19-100-170, the anti-fraud section of the Franchise Investment Protection Action of the state of Washington; and (c) FHV reimburse the DFI $7,500 for its costs of investigation payable before the entry of the Consent Order. We reimbursed DFI and the Consent Order was entered.

In Re: Ross Horn, as Plaintiff v. Fresh Healthy Vending, LLC, Fresh Healthy Vending Holding Company, Inc., Nicholas Yates, Mark Trotter, Jolly Backer, Todd William London, and Maria Truong, (Case No. 37-2013-00057717- CU-CO-CTL, Superior Court of California, County of San Diego; filed July 16, 2013).

Plaintiff, an FHV franchisee, filed a complaint against FHV and certain of its current and former officers, alleging violations of the California Franchise Investment Law and associated regulations by allegedly providing plaintiff with a franchise disclosure document that willfully failed to disclose certain material information regarding the identity of FHV's predecessor, the identity of two of FHV's principals, litigation history, and bankruptcy history. The complaint sought rescission of his franchise agreement, restitution and damages. Before filing an answer to the complaint, FHV entered into a settlement agreement with plaintiff, pursuant to which FHV agreed to repurchase, or cause to be repurchased, plaintiff's Vending Machines for an amount between $79,000 and $81,000. The case was dismissed on October 23, 2013.

Moises Granda and Amazonia Healthy Foods LLC v. Fresh Healthy Vending, LLC; Fresh Healthy Vending International, Inc.; Nicholas Yates; and DOES 1-25. (Case No. 37-2016-0008449-CU-BC-CTL, Superior Court of the State of California, County of San Diego, filed March 14, 2016.)

The plaintiffs, FHV's former franchisee and its owner, filed a complaint against FHV, GNFB, and one of FHV's current officers alleging breach of contract, anticipatory breach, violation of the Maryland Franchise Registration and Disclosure Law, and unfair competition under California's Business & Professions Code section 17200. The complaint alleged that the defendants failed to make payments due under a Mutual Termination and Release Agreement that FHV had entered into with the plaintiffs, committed various disclosure violations arising from the disclosure document provided to the plaintiffs, and engaged in unfair competition under California law by violating the November 7, 2014 Stop Order and Citation described above. The plaintiffs sought monetary damages, attorney's fees, and injunctive relief. In May 2016, the parties entered into a Stipulated Judgment and filed it with the court. Under the terms of the Stipulated Judgment, the defendants paid the plaintiffs $166,505.

Slender Vender, LLC and John Coffin v. Fresh Healthy Vending, LLC; Alex Kennedy; Nicholas Yates; Todd William London; Mark Trotter; Jolly Backer; Maria Truong; Ryan Ball; and T.J. Rogers. (Case Number 37-2014-00017075-CU-FR-CTL, Superior Court of the State of California for the County of San Diego, filed May 28, 2014.)

On May 28, 2014, Slender Vender, LLC, and John Coffin, a former FHV franchisee and its owner ("Plaintiff"), filed a complaint against FHV and certain of its current and former officers ("Defendants") alleging violations of the California Franchise Investment Law, fraud, breach of contract, unfair competition, false advertising and violations of the California Labor Code in connection with the sale and purchase of Plaintiff's franchises. The complaint sought rescission of the franchise agreement, restitution, unpaid wages, and damages, including compensatory and punitive damages.

On February 6, 2015, the California Labor Code violations were dismissed without leave to amend. In addition, Defendant London was dismissed from the action that same day. Defendants Truong, Rogers, and Ball were later dismissed from the action during trial. On February 20, 2015, Plaintiff filed a first amended complaint against the remaining defendants alleging causes of action for rescission, fraud, breach of contract, unfair competition, and false advertising.

On September 23, 2016, a jury trial commenced in the action, and the jury found in favor of Plaintiff. The jury returned a total compensatory damages verdict of $535,091.01 against all Defendants, and further returned a punitive damages verdict of $140,000 against Yates and $14,000 against Kennedy. The compensatory damages award was later reduced to $295,091.01 following post-trial motions and stipulation. In addition, following the jury trial, the court awarded Plaintiff attorneys fees of $565,386.50 against FHV and costs of $29,682.50 against FHV, Kennedy, Yates, Trotter, and Backer. Judgment was entered on February 21, 2017.

On March 22, 2017, Defendants filed a notice of appeal, and on March 30, 2017, Plaintiff filed a notice of cross-appeal. On June 21, 2017, the parties reached a global settlement. Despite an initial award of $1.1 million, under the terms of the confidential settlement Plaintiff agreed to cause the judgment to be set aside, to withdraw all claims for wage garnishments against any of the Defendants, and to cause the removal of all recorded abstracts of judgment and the

~~removal~~theremoval of any financing statements. The parties agreed to dismiss their appeals and to grant one another full mutual general releases. In exchange, Defendants agreed to pay Plaintiff $500,000, over a 25-month period, as well as transfer to Plaintiff a guaranteed $200,000 worth of GNFB stock valued at $1 per share. GNFB has guaranteed the settlement.

Other than these actions, no litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

Nicholas Yates, our ~~founder and Chairman of our parent company, GNFB~~Chief Executive Officer, filed a Debtor's Petition with the Australian Financial Security authority (then known as the Insolvency and Trustee Service Australia) on March 30, 2007. On March 31, 2010, his debts were discharged.

~~Because it was determined the assets of FHV are currently insufficient to satisfy FHV's obligations to creditors, as of September 28, 2018, FHV has executed an assignment for the benefit of creditors under California law, in which all of the assets of FHV have been assigned to a third party fiduciary who will expeditiously liquidate such assets and distribute the proceeds of the liquidation to FHV's creditors according to the priorities established and permitted by law. FHV's principal business address is the same as ours.~~

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

ITEM 5
INITIAL FEES

Initial Franchise Fee

When you sign your Franchise Agreement, you agree to purchase 2, 3, 6, 9, 12, or ~~12~~20 Robots, and you will pay us an "Initial Franchise Fee" of $5,000 per initial Robot purchased. Depending on the number of Robots you agree to purchase, the Initial Franchise Fee will be as follows:

Number of Robots	Initial Franchise Fee
2	$10,000
3	$15,000
6	$30,000
9	$45,000
12	$60,000
20	$100,000

We fully earn the Initial Franchise Fee when it is paid, and it is not refundable under any circumstances.

Robots and Location Procurement Fee

When you sign your Franchise Agreement, you agree to purchase 2, 3, 6, 9, 12 or ~~12~~20 Robots from a supplier designated by us (which may be us, our affiliate, or an unaffiliated third-party distributor or purchasing agent), and the purchase price ranges from $42,500 to $50,000 per Robot, plus applicable sales tax. Depending on the number of Robots you agree to purchase, the total purchase price will be as follows:

Number of Robots	Purchase Price per Robot	Total Purchase Price (plus applicable sales tax)
2	$52,500	$105,000
3	$50,000	$150,000
6	$47,500	$285,000
9	$45,000	$405,000
12	$42,500	$510,000
20	$40,000	$800,000

The purchase price for the Robots is in addition to the Initial Franchise Fee described above, and is not refundable.

In addition, when you sign the Franchise Agreement, you will be billed for and pay us a "Location Procurement Fee" of $2,500 per Robot. Depending on the number of Robots you agree to purchase, the Location Procurement Fee will be as follows:

Number of Robots	Location Procurement Fee
2	$5,000
3	$7,500

6	$15,000
9	$22,500
12	$30,000
20	$50,000

The Location Procurement Fee is in addition to the purchase price for the Robots described above. However, if you secure Locations for Robots without our assistance (but with our prior approval), you will receive a credit of $2,500 for each Location that you procure without our assistance. If you elect Payment Option 2 below, the credit will be applied to the second payment that you owe. If you select Payment Option 1 below, the credit will be in the form of a refund. The Location Procurement Fee is not otherwise refundable.

You have two options for paying the purchase price for your Robots and the Location Procurement Fee:

Payment Option 1: You may pay the purchase price for the Robots, the Franchise Fee and the Location Procurement Fee in full when you sign your Franchise Agreement. After payment in full is received, your Robots will be available within 120 days.

Payment Option 2: You may pay a deposit equal to 40% of the total purchase price for the Robots and the Location Procurement Fee, and the full Franchise Fee at the time you sign your Franchise Agreement. You will pay the outstanding balance in pro rata portions within 72 hours after we procure a Location for one or more of your Robots until we have procured all Locations for all the Robots you have purchased. Within 120 days after we secure a Location for a Robot and you have paid the outstanding balance for the Robot and the balance due on the applicable Location Procurement Fee, our distributor will deliver the Robot to that Location.

Additional Items

You may also purchase a Flavor Burst and/or a cleaning cart from us. A Flavor Burst option is not yet available but is projected to be available by September of 2019. This date is not guaranteed. Each Flavor Burst is an additional component that can be added to a Robot to increase the number of flavors available from two to six. Each Flavor Burst option is $2,000 if purchased at the time the Robot is purchased. If purchased at a later time, the cost is $2,500 to cover the additional expense of installation in the field. A low cost for the Flavor Burst is $0 if you choose not to purchase the Flavor Burst option, the high estimated cost is $50,000 for 20 Flavor Burst components purchased for $2,500 after the initial purchase of the Robots. The cleaning cart is for use in cleaning the Robots and has a low cost of $0 if you choose not to purchase one and a high cost of $4,250 if you do choose to purchase one.

Adjusted Fees

We may reduce, finance, defer, or waive the Initial Franchise Fee or reduce, finance, or defer the purchase price for the Robots based on a variety of factors, such as the number of Robots you purchase or circumstances specific to an individual franchisee, such as our agreement to defer payment because of conditions outside the franchisee's control. During the fiscal year ended June 30, 2018, we charged certain franchisees a reduced Initial Franchise Fee of $2,500 per Robot. In addition, during the fiscal year ended June 30, 2018, under special circumstances where a franchisee entered into a separate agreement with our affiliate, we charged the franchisee $1,000 for the robot purchase price.

ITEM 6
OTHER FEES

Type of Fee*	Amount	Due Date	Remarks
Royalties	12% of Monthly Gross Revenue per Robot	All electronic payments processed by your Robots are sent directly to us. (Note 1)	"Monthly Gross Revenue" means all funds generated by Robots from the purchase of products dispensed by the Robots, including all funds generated by credit card, debit card and other electronic transactions.
Remote Monitoring Fee	Currently, $7.95 per month, per Robot	Monthly (Note 1)	We do not retain this fee. Instead, we remit this fee to the merchant that processes payments for your Robots.
Extended warranty	$3,000 per Robot	At the time you purchase an extended warranty	(Note 2)
Interest and late charge on overdue payments	The greater of 10% or the maximum rate permitted by law; late charge equal to 5% of amount late.	Interest and late charges are payable when billed.	Interest applies to all amounts owed to us or our affiliates, if applicable.
Initial training fee	Currently, $250 per person per day for each person in excess of two.	After your franchise is open for business.	
Additional training fee	Currently, $250 per person per day.	As incurred.	Payable for additional training courses, training materials, and facility expenses.

Type of Fee*	Amount	Due Date	Remarks
Remedial training fee	Currently, $1,000 per person per day.	Upon demand.	(Note 3)
State or local taxes	Will vary based on state and local laws.	As incurred.	(Note 4)
Franchisee conference fee	$500 per person.	45 days before the franchisee conference.	You are not required to attend franchisee conferences; fees payable are to defray our costs for presentation materials, travel expenses and facility expenses.
Default fee	$200 per default	Upon expiration of any applicable cure period after we notify you in writing that you are in default of your Franchise Agreement, if you have not cured the default by the end of the applicable cure period.	See rows (g) and (h) of the table in Item 17 below.
Custom Design Fee	Currently, $150 per hour	Upon demand.	(Note 5)
Download Preparation Fee	Currently, $150 per hour	As incurred	If you purchase certain print items from a supplier other than our preferred supplier, you will pay us a fee for our services related to preparing the appropriate files for download and transfer to the supplier you have chosen.

Type of Fee*	Amount	Due Date	Remarks
Additional Robots	Then-current initial fee, Location Procurement Fee, and purchase price for each additional Robot, plus sales tax, if applicable) (Note 6)	Upon purchase of additional Robots, 100% of the per-Robot initial fee. You may select Payment Option 1 or Payment Option 2 to pay the Location Procurement Fee and purchase price. (Note 6)	You must be in compliance with your Franchise Agreement and approved by us to purchase additional Robots.
Management Fee	$99 per Robot per day	As incurred	If we issue a notice of default, we may manage your Locations until you cure all defaults and you will pay us a management fee for doing so.
Breach of Post-Termination Non-Competition Covenant	5% of the gross revenue of any competing business throughout the one-year, post-termination non-compete period.	On the 15th day of each month based on the gross revenue of the competing business in the prior month.	If you breach your post-termination non-competition covenant, you must pay us, throughout the one-year non-compete period, 5% of the gross revenue of any competing business.
Indemnification	Will vary based on circumstances.	As incurred.	You must reimburse us if we are held liable for claims arising from the operation or transfer of your franchise business, or from your breach of the Franchise Agreement.
Insurance	Based on the purchase of 3 Robots, we estimate $1,450 to $7,500 annually, but cost may vary by provider and coverage.	As incurred.	If you fail to obtain insurance, we may obtain it for you and you will be required to reimburse us for any premiums and other costs we incur.
Relocation fee	$2,500 per Robot (does not include shipping/freight)	Upon relocation request.	(Note 7)

Type of Fee*	Amount	Due Date	Remarks
Location Rejection Fee	$1,250 per Location rejected by you	At the time you request that we secure another Location.	If you wish to relocate a Robot and you reject a Location secured by us and wish us to find another Location, then you will pay an additional $1,250 for the additional Location search work.
Manual replacement fee	$100	Upon demand.	We provide you one copy of our Manual at no charge. This fee is payable if you require a replacement Manual.
Transfer fee	$2,500 per Robot, plus any attorney's fees we incur in connection with the transfer	At the time of transfer.	You must pay us a transfer fee if you sell or transfer ownership of your franchise business to another party. You will pay us the transfer fee in a lump sum in the form of a cashier's check or wire transfer at the time of the transfer. You do not have to pay a transfer fee if you transfer your individual interest in the Franchise Agreement to an entity in which you own a controlling interest.
Renewal fee	$5,000	Upon renewal of your Franchise Agreement.	If you are approved to renew your Franchise Agreement, you must also pay us a renewal fee, payable by cashier's check or wire transfer.
Technical service fees (outside of warranty period)	Currently, $150 per hour (plus costs)	As incurred.	(Note 8)

Notes:

*Unless otherwise noted, all fees are uniformly imposed by and payable to us by electronic funds transfer ("EFT") or other automatic payment mechanism we designate and are non-refundable.

1. Royalties. By the 10th day of each month, we will send you a statement identifying the amount of Royalties due for the preceding month along with any other amounts then due and owing to us (including the monthly Remote Monitoring Fee) and remit funds from collected electronic sales less any Royalties and any other amounts due and owing to us, using a payment method we elect, such as issuance of a check, wire transfer, or electronic funds transfer. We will not deduct any applicable credit card processing or software license fees attributable to customer purchases from the amounts that we remit to you.

2. Extended warranty. For an additional fee of $3,000 per Robot, we offer an extended warranty on the soft-serve components of the Robots. The duration of the extended warranty depends on the parts of the Robot that are alleged to be defective. Currently, the extended warranty covers: (a) non-wearable parts in the soft-serve component of each Robot (limited to freezing cylinders, augers, evaporator assembly, drive motors, speed reducers, compressors, and hopper of the soft-serve component of the Robot) (the "Non-Wearable Parts") against defects in materials and workmanship when used in accordance with the Manual and the Robot's published operating instructions for a period of 5 years from the date of delivery of each Robot; and (b) all other soft-serve component parts, other than wearable parts and the Non-Wearable Parts, against defects in materials and workmanship when used in accordance with the Manual and the Robot's published operating instructions for a period of 2 years from the date of delivery of each Robot. If you make a claim under the extended warranty, we will cover the cost of labor in replacing or repairing defective soft-serve component parts for a period of 2 years from the date of delivery of each Robot.

3. Remedial training fee. We may provide you with remedial training if we determine that you are not in compliance with the terms of your Franchise Agreement after providing you with written notice of non-compliance and an opportunity to cure. You will pay us a remedial training fee (currently, $1,000 per person per day) to cover our costs for training materials, our travel expenses, and our facility expenses for the remedial training program, whether or not you (personally) attend the remedial training program. You will also be responsible for all expenses incurred for you and your employees to attend remedial training program, including costs for transportation, lodging, meals, training materials, and wages.

4. State or local taxes. You will pay to us all taxes that any taxing authority within your state(s) imposes on or seeks to collect on account of the purchase price for the Robots. You will pay to the taxing authority within your state(s) any taxes that such taxing authority imposes on or seeks to collect on account of your Monthly Gross Revenue or income.

5. Custom design fee. If you wish to modify the design of any advertising or promotional materials that we have made available to you (such as corporate ID packages, posters, uniforms, banners, and brochures), and we approve the proposed modifications or designs and agree to make the custom modifications or designs, you will pay our then-current fee for custom design services.

6. Purchase price for additional Robots. The purchase price for additional Robots will depend on how many Robots, in the aggregate, you have previously purchased. The purchase price for each additional Robot will be the then-current purchase price then being charged for new franchises. However, you will be entitled to any then-applicable discounts for each additional Robot (in the aggregate) that you are purchasing above a given 3-Robot tier.

   You have two options for paying the purchase price for your additional Robots and the applicable Location Procurement Fees for those additional Robots: Under Payment Option 1, you may pay the purchase price for the Robots and the Location Procurement Fee in full when you sign your Franchise Agreement. Once we secure a Location for a Robot, our distributor will deliver the Robot to that Location within 120 days. Under Payment Option 2, you may pay a deposit equal to 40% of the total purchase price for the Robots and the Location Procurement Fee at the time you sign your Franchise Agreement. You will pay the outstanding balance in pro rata portions within 72 hours after we procure a Location for one or more of your Robots until we have procured all Locations for all the Robots you have purchased. Within 120 days after we secure a Location for a Robot and you have paid the outstanding balance for the Robot and the balance due on the applicable Location Procurement Fee, our distributor will deliver the Robot to that Location. Regardless of whether you elect Payment Option 1 or Payment Option 2, you must still pay the full Initial Franchise Fee at the time you agree to purchase additional Robots.

7. Relocation Fee. After all of your Robots have been installed, you may relocate them with our prior written approval. You will also pay to third parties any freight, delivery or other fees associated with the relocations. If you secure a new Location, we will not charge you a relocation fee, but you will be responsible for paying for all necessary costs of relocation, such as electrical service required to operate a Robot at the relocated Location.

8. Technical Services Fee. You must respond to all service calls related to your Robots within 24 hours of your receipt of a request for a service call. We may, upon 24 hours' notice to you, and at your cost, dispatch a third-party mechanic or other serviceperson to respond to the service call. Alternatively, we or our affiliate may respond to the service call and if we do so, you will pay us the Technical Services Fee described above plus costs (such as for parts). If you do not pay the Technical Services Fee when due, in addition to any other remedies available to us, we may deduct the amounts owed to us from credit card sales processed by your Robot.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
Initial Franchise Fee (Note 1)	$~~15~~10,000 to $~~60~~100,000	Lump sum	When you sign your Franchise Agreement	Us
Purchase price for Robots (Note 2)	$105,000 to $800,000 plus sales tax, if applicable	Lump sum	(Note 3)	Us or a third party
Purchase price for Flavor Burst addition (Note 4).	$0 to $50,000	Lump sum	(Note 4)	Us
Location Procurement Fee (Note 5)	$5,000 to $50,000	Lump sum	(Note 3)	Us
Initial training (Note 6)	$0 to $2,000	As incurred	As incurred	Third party providers
Storage facility lease (Note 7)	$0 to $2,000	As incurred	As determined by lease (typically, monthly)	Lessor
Electrical upgrades (Note 8)	$1,000 to $40,000	As incurred	As incurred	Electricians or Location owners
Equipment other than Robots and uniforms (Note 9)	$600 to $6,750	Lump sum	Before commencing operations	Us or a Third party vendors
Smallwares (Note 10)	$900 to $3,600	Lump sum	Before commencing operations	Third party vendors

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
Location commissions (Note 11)	Generally, up to 20% of Monthly Gross Revenue per Robot or up to 30% of monthly gross profit per Robot	As incurred	No later than the 10th day of each month	Location owners
Email account (Note 12)	$0 - $50	As incurred	Monthly or quarterly	Internet service provider
Deposits, permits and other fees, including food handler's license (Note 13)	$0 to $1,000	As incurred	Before commencing operations	Third parties
Insurance (Note 14)	$1,450 to $7,500	Annually	Before commencing operations	Third parties
Vehicle (Note 15)	$0 to $750	Monthly	Before commencing operations	Third party vendors or lessors
Customized Vehicle Graphics (Note 16)	$0 to $3,000	As incurred	Before commencing operations	Third party vendors
Professional (legal and accounting) Fees (Note 17)	$0 to $1,500	As incurred	Upon demand	Third parties
Opening Inventory (Note 18)	$1,000 - $10,000	As incurred	As incurred	Approved suppliers
Additional Funds-initial three months (Note 19)	$3,5000 to $40,000	As incurred	As incurred	Various
Total (Note 20)	$ 139,950to $ 1,114,150			

~~Type of Expenditure~~	~~Amount~~	~~Method of Payment~~	~~When Due~~	~~To Whom Payment Is to Be Made~~
~~Purchase price for Robots (Note 2)~~	~~$150,000 to $510,000 plus sales tax, if applicable~~	~~Lump sum~~	~~(Note 3)~~	~~Us or a third party~~
~~Location Procurement Fee (Note 4)~~	~~$7,500 to $30,000~~	~~Lump sum~~	~~(Note 3)~~	~~Us~~
~~Initial training (Note 5)~~	~~$0 to $2,000~~	~~As incurred~~	~~As incurred~~	~~Third party providers~~
~~Storage facility lease (Note 6)~~	~~$0 to $2,000~~	~~As incurred~~	~~As determined by lease (typically, monthly)~~	~~Lessor~~
~~Electrical upgrades (Note 7)~~	~~$1,500 to $24,000~~	~~As incurred~~	~~As incurred~~	~~Electricians or Location owners~~
~~Equipment other than Robots and uniforms (Note 8)~~	~~$600 to $2,500~~	~~Lump sum~~	~~Before commencing operations~~	~~Third party vendors~~
~~Smallwares (Note 9)~~	~~$900 to $3,600~~	~~Lump sum~~	~~Before commencing operations~~	~~Third party vendors~~
~~Location commissions (Note 10)~~	~~Generally, up to 20% of Monthly Gross Revenue per Robot or up to 30% of monthly gross profit per Robot~~	~~As incurred~~	~~No later than the 10th day of each month~~	~~Location owners~~
~~Email account (Note 11)~~	~~$0 – $50~~	~~As incurred~~	~~Monthly or quarterly~~	~~Internet service provider~~
~~Deposits, permits and other fees, including food handler's license (Note 12)~~	~~$0 to $1,000~~	~~As incurred~~	~~Before commencing operations~~	~~Third parties~~
~~Insurance (Note 13)~~	~~$1,450 to $7,500~~	~~Annually~~	~~Before commencing operations~~	~~Third parties~~
~~Vehicle (Note 14)~~	~~$0 to $750~~	~~Monthly~~	~~Before commencing operations~~	~~Third party vendors or lessors~~

~~Type of Expenditure~~	~~Amount~~	~~Method of Payment~~	~~When Due~~	~~To Whom Payment Is to Be Made~~
~~Customized Vehicle Graphics (Note 15)~~	~~$0 to $3,000~~	~~As incurred~~	~~Before commencing operations~~	~~Third party vendors~~
~~Professional (legal and accounting) Fees (Note 16)~~	~~$0 to $1,500~~	~~As incurred~~	~~Upon demand~~	~~Third parties~~
~~Opening Inventory (Note 17)~~	~~$1,500 - $6,000~~	~~As incurred~~	~~As incurred~~	~~Approved suppliers~~
~~Additional Funds initial three months (Note 18)~~	~~$5,000 to $30,000~~	~~As incurred~~	~~As incurred~~	~~Various~~
~~Total (Note 19)~~	~~$183,450 to $683,900~~			

All amounts shown in this table are estimates only. Actual costs will vary for each franchisee depending on a number of factors. Payments made to us or our affiliates are not refundable except as described below. We are not able to represent whether or not amounts that you pay to third parties are refundable.

NOTES TO ITEM 7:

Note 1: The Initial Franchise Fee is $5,000 per Robot. The low cost in the range represents the purchase of ~~3~~2 Robots, and the high cost in the range represents the purchase of ~~12~~20 Robots.

Note 2: When you sign your Franchise Agreement, you agree to purchase 2, 3, 6, 9, 12 or ~~12~~20 Robots from a supplier designated by us (which may be us, our affiliate, or an unaffiliated third- party distributor or purchasing agent), and the purchase price ranges from ~~$42,500~~$40,000 to $~~50,000~~52,500 per Robot, plus applicable sales tax. The low cost in the range represents the purchase of 3 Robots, and the high cost in the range represents the purchase of 12 Robots.

Note 3: ——You will pay a deposit equal to 40% of the total purchase price for the Robots and Location Procurement Fee at the time you sign your Franchise Agreement. You will pay the outstanding balance in pro rata portions within 72 hours after we procure a Location for one or more of your Robots until we have procured all Locations for all the Robots you have purchased. Within 120 days after we secure a Location for a Robot and you have paid the outstanding balance for the Robot and the balance due on the applicable Location Procurement Fee, our distributor will deliver the Robot to that Location. You may elect to pay the purchase price in full when you sign your Franchise Agreement.

~~Note 4:~~

Note 4: A Flavor Burst option is not yet available but is projected to be available by September of 2019. This date is not guaranteed. Each Flavor Burst is an additional component that can be added to a Robot to increase the number of flavors available from two to six. Each Flavor Burst option is $2,000 if purchased at the time the Robot is purchased. If purchased at a later time the cost is $2,500 to cover the additional expense of installation in the field. A low cost is $0 if you choose not to purchase the Flavor Burst option, the high estimated cost is $50,000 for 20 Flavor Burst components purchased for $2,500 after the initial purchase of the Robots.

Note 5: You will be billed for and pay us a Location Procurement Fee of $2,500 per Robot. However, if you secure Locations for Robots without our assistance (but with our prior approval), you will receive a credit in the amount of $2,500 per Location that you procure without our assistance. The Location Procurement Fee is not otherwise refundable. The low cost in the range represents the purchase of ~~3~~2 Robots, and the high cost in the range represents the purchase of ~~12~~20 Robots.

Note ~~5~~6: You must attend training at a location we determine (currently at our corporate headquarters located in San Diego, California). If you send more than two persons to attend training, we will charge you our current additional training fee (currently $250 per person per day) for each additional individual. You are responsible for paying all expenses incurred by you and other individuals you authorize to attend training. The amount of travel, lodging and other travel related expenses you incur will depend on the number of persons who attend training and the distance you must travel to the training location (See Item 11).

Note ~~6~~7: You will need adequate storage space for the products used to stock your Robots, including refrigerator/freezer space. You may store your inventory at your Locations or you can lease a storage facility from a third party. In either case, your storage areas must comply with any applicable health regulations. Your storage arrangements must not violate any applicable laws, rules, regulations, or zoning restrictions and must conform to our storage requirements. If you lease storage space, your costs may vary considerably depending on the size, condition, and location of the leased storage facility, local building and fire code requirements, and requirements of the lease. You will also need access to a location where the products can be delivered and the location must be acceptable to the product suppliers and distributors.

Note ~~7~~8: The Robots require 220v/30A electrical service, so if a Location doesn't have 220v/30A service, it must be upgraded to allow for 220v/30A service. We estimate that the cost of electrical upgrades to 220v/30A service ranges from $500 to $2,000 per Location, but in exceptional cases (such as when the electrical service panel is far from the proposed Location for the Robot), the cost for a particular Location may be higher. In some instances, a Location owner may require the use of its approved electricians. The range in the table above reflects a low estimate of $1,~~500~~000, which contemplates ~~3~~2 Locations upgraded to 220v/30A service at $500 per Location. The high estimate of $~~24~~40,000 contemplates ~~12~~20 Locations upgraded to 220v/30A service at $2,000 per Location.

Note ~~8:~~ 9: This estimate includes a portable freezer/cold storage unit (ranging from $300 to $1,000 if purchased new; less for used) for your vehicle and also a top freezer refrigerator for onsite storage, a maintenance cart, a mobile telephone, computer equipment (approximately $300 to $1,000, as described in Item 8), a printer, a fax machine, and uniforms for you and your employees. We offer a cleaning cart specific to this application for $4,250.

Note ~~9:~~ 10: You will need to obtain certain smallwares (such as bins, pans, buckets, scoops, carts, and other miscellaneous items) to operate your business.

Note ~~10~~11: You will pay a percentage of the Monthly Gross Revenue you obtain from your Robots to the owners of the Locations where your Robots are located. Alternatively, in some cases, you will pay up to 30% of the monthly gross profit you obtain from your Robots to the owners of the Locations where your Robots are located. We generally offer the owners of the Locations fixed Location commissions of up to 20% of Monthly Gross Revenue per Robot or 30% of the monthly gross profit per Robot. However, those percentages could be higher than 20% of Monthly Gross Revenue or 30% of monthly gross profit depending on a specific Location owner's demands and other factors, such as the service and maintenance obligations assumed by the Location owner. If the owner of a proposed Location notifies us that the owner seeks to charge you a commission greater than 20% of the Monthly Gross Revenue or greater than 30% of the monthly gross profit of the Robot(s) to be installed at the proposed Location, we will notify you of the proposed commission rate before you visit the Location and you may consider this factor when determining whether to accept the proposed Location. Your failure to object to the commission rate within 7 days of your receipt of the proposed commission rate will be deemed your acceptance of the proposed commission rate.

Note ~~11~~12: You will need to obtain and maintain an email account to send and receive email.

Note ~~12~~13: This estimate includes amounts for security deposits, utility deposits, business licenses, permits, health permits and food handler's licenses, and other prepaid expenses.

Note ~~13~~14: This is the estimated cost for you to obtain and maintain the required liability insurance and product insurance. The estimate above assumes you already have automobile liability insurance. However, if you do not already have automobile liability insurance, you will incur additional expense in obtaining this coverage. The amount of automobile liability insurance varies based on the type of vehicle you have, your location, your driving record, and other factors. In addition, in some cases a Location owner may require you to obtain insurance with coverage amounts that exceed the minimums established by us.

Note ~~14~~15: Unless you already own or otherwise have access to a small sports utility vehicle, hatchback car, or other midsize or large vehicle, you will need to acquire a vehicle to transport your inventory. Your cost will vary depending on the make and model of your vehicle, and whether you own or lease your vehicle. Our estimate is based on lease prices for midsize or large vehicles. If you purchase a vehicle, your costs will likely be higher.

Note ~~15~~16: This estimate is for optional signs for your vehicle (which may be in the form of a vehicle "wrap"). The price of a wrap varies widely based on the make and model of your vehicle. In limited instances, such signs may be required to obtain access to some of your Locations.

Note ~~16~~17: You may incur costs to obtain advice from legal or other professional advisors related to establishing your franchise business, such as forming a legal entity (such as a corporation, partnership or limited liability company).

Note ~~17~~18: This estimate represents the cost of product inventory for ~~3~~2 Robots on the low end and ~~12~~20 Robots on the high end (at approximately $500 per Robot). You must purchase your inventory of products from our designated supplier.

Note ~~18~~19: We are required to disclose an estimate of all costs and expenses that may be incurred in the initial phase (first three months) of your franchise business operations (other than those specifically listed in the table). The amount of additional funds will vary among franchisees based on a variety of factors, including the number of Robots you purchase, the number of employees you hire (including salaries and the cost of benefits you may provide), the extent to which you will be actively involved in your business's operations; your skill, experience, business acumen, and credit rating; how well you comply with our recommended systems and procedures; local competition and economic conditions (including rent and wages); the cost of supplies; and the actual sales levels that you achieve during the initial three-month period. Our estimate does not include any salary for you.

The additional funds are in addition to cash flow from operations. We cannot estimate your cash flow. You should not assume that cash flow from operations after the first three months will necessarily be sufficient to pay all of your operating expenses. We do not predict your break-even point or when you might reach it; you must investigate and make your own calculations. In addition, the estimates presented relate only to costs associated with the franchised business and do not cover any personal, "living" or other expenses. We have relied on our and Robofusion's business experience along with FHV's experience in the vending machine industry to compile these estimates.

Note ~~19~~20: You should review these figures carefully with your professional advisors, including financial and legal advisors, before making any decision to purchase a franchise. The amounts may vary based on your geographic location. You should consider the costs of each of the items described in this Disclosure Document in your city, state, and/or country. Fees or costs due to any other entity are subject to the terms established in their agreements. Inflation, discretionary expenditures, fluctuating interest rates and other factors may affect your actual costs to commence operating your franchise business. You are responsible for all costs and variances from the estimated costs in this Item 7, or variances from any other estimates we may provide. The availability and terms of financing depend on the availability of financing generally, your creditworthiness, your available collateral, and lending policies of financial institutions.

Except for the method of payment for the initial purchase of your Robots (minimum 40% deposit at the time you sign your Franchise Agreement and the balance due in pro rata portions within 72 hours after we procure a Location for one or more of your Robots until we have procured all Locations for all the Robots you have purchased) we do not offer direct or indirect financing to our franchisees.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You will be required to purchase or lease certain goods or services from suppliers that we designate, or from us or an affiliate of ours. In other instances, you will be free to select a supplier, but the goods or services you purchase must comply with specifications that we establish.

Robots

You must purchase all Robots from a supplier designated by us (which may be us, our affiliate, or an unaffiliated third-party distributor or purchasing agent). You are responsible for maintaining the Robots in good repair, either personally or through the services of a third party (if parts and workmanship meet our standards in our Manual). You may purchase parts for Robots only from approved suppliers.

Products for Robots

In order to maintain the reputation, continuity, goodwill and value of our System, we must approve all products that you offer for sale in your Robots. You will purchase your initial inventory of products from our designated supplier from the supplier's products list approved by us as meeting our standards and specifications ("Approved Products"). We have the right at any time to add or delete products from the supplier's Approved Products list. We do not control the prices, delivery terms or other terms related to the sale of the Approved Products. The mix of Approved Products may vary depending on where your Robots are located. After your initial purchase of Approved Products, you may purchase Approved Products from any other supplier we approve. If you purchase Approved Products from our designated supplier, you will be required to purchase a minimum amount of products each time you order (currently $500, but subject to change by the vendor).

Other than as disclosed above, there are no other products or services for which we or our affiliates are currently the only supplier.

Approval of Alternative Suppliers

You may request in writing our approval of alternative suppliers. We evaluate proposed alternative suppliers on a variety of criteria, including the quality of their products or services, price, responsiveness, reputation, timeliness, and experience, among others. With respect to an alternative supplier of Approved Products, the supplier must be able to provide products that are natural and of the same or equal quality of the Approved Products. If we compile any more specific criteria for approving suppliers, we will make those criteria available to you. We may require that you or the supplier of the alternative products furnish to us, at no cost to us, product samples and other information as we may require. We will notify you of our approval or disapproval within two business days after we receive any samples or other requested information. We do not charge you to review, approve or disapprove suggested products; however you will reimburse us if we incur any direct expense related to the approval process. We may revoke our approval of alternative suppliers at any time, and we will notify you in writing if we do so.

Standards and Specifications

For any goods or services that must comply with our standards and specifications, and that we or an affiliate do not supply directly to you as the sole supplier or for which we have not approved another supplier, we will provide you with specifications of conforming goods and services. We will issue those specifications in writing in the Manual or by other written communication. We expect to modify those specifications periodically, and the method of notification for the changes will depend on the goods or services in question.

Uniforms and Other Branded Items

We provide a link at our website to our designated supplier of uniforms and other branded items. You must purchase uniforms for yourself and your employees from our designated supplier.

Print Items and Other Marketing Materials

We provide a link at our website to our preferred supplier of print items (such as posters, banners, brochures, and other miscellaneous marketing materials). So long as they meet our standards, we currently allow you to purchase these items from a supplier other than our preferred supplier, but if you do so, you will pay us a fee (currently, $150 per hour) for our services related to preparing the appropriate files for download and transfer to the supplier you have chosen. We may, during the term of your Franchise Agreement, require you to purchase these print items only from our designated supplier.

Computer Hardware and Software

We require you to own or have access to a laptop or desktop computer system, a mobile telephone with SMS capability, and commercially available software. The computer system will need to be equipped with Ethernet and USB ports and must support a functioning e-mail program and address. High-speed internet access is recommended. You can acquire these products from any source so long as they meet our specifications. All Robots feature remote reporting systems that we approve.

Insurance

We currently require that you obtain and maintain insurance coverage from a carrier with a minimum Best's Rating of A- or other comparable rating. You must obtain the following types and amounts of coverage: (a) general liability for not less than $1,000,000 per occurrence and $2,000,000 in aggregate (or such higher amount as we may periodically designate); (b) product liability insurance for not less than $1,000,000 per occurrence and $2,000,000 in the aggregate (or such higher amount as we may periodically designate); (c) workers compensation in compliance with all state and local laws and regulations, and (d) comprehensive vehicle for not less than $1,000,000 or as otherwise set forth in the Manual. In addition, in some cases a Location owner may require you to obtain insurance with coverage amounts that exceed the minimums established by us. We may periodically reasonably require that you obtain insurance coverage for other risks. You will provide us with proof of insurance before commencing operations of your franchise business.

Our Revenue from Purchases

We have negotiated the purchase of Approved Products from our designated suppliers. We currently receive rebates from our designated suppliers of Approved Products ranging from 5% to 24% of the price paid by franchisees for Approved Products.

We receive a rebate of 15% of the purchase price paid by franchisees for uniforms purchased from our designated supplier.

During the fiscal year ended June 30, 2018, we recognized revenue of $137,029 derived from the purchase of Robots by franchisees, which is 90.7% of our total recognized revenue of $151,029. Except for this revenue, during the fiscal year ended June 30, 2018, neither we nor our affiliates recognized any revenue from required purchases or leases by franchisees, and we did not receive any rebates or other payments from any designated suppliers. However, during the fiscal year ended June 30, 2018, we collected $13,697,306 (net of refunds) in deposits from franchisees toward the purchase of Robots. These deposits, along with any remaining purchase price balance due, will not be recognized as revenue until the Robots are delivered and installed.

We estimate that your required purchases described in this Item represent approximately 75% of your total costs to establish and operate your franchised business.

Purchasing Cooperatives and Arrangements

Currently there are no purchasing or distribution cooperatives in our System. We negotiate purchase arrangements with suppliers and vendors for the benefit of our franchisees. We do not provide material benefits to franchisees based on their use of designated or approved suppliers. None of our officers owns an interest in any of the suppliers described in this Item.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in agreement	Disclosure document item
a. Site selection and acquisition/lease	Sections 3.1 and 3.2	Items 11 and 12
b. Pre-opening purchases	Sections 4.1, 8.1, 8.5, 8.8, 8.9 and 8.10	Items 5, 7, and 8
c. Site development and other pre-opening requirements	Sections 3.3 and 4.2	Items 6, 7, and 11
d. Initial and ongoing training	Section 6	Item 11
e. Opening	Section 4.3	Item 11
f. Fees	Sections 4.1, 5, 6, 7.1, 8.3, 9.2, 9.3, 11.2, 13.5, 13.6, and Exhibit B	Items 5, 6, and 7
g. Compliance with standards and policies/Operating Manual	Sections 2, 3.1, 3.3, 7, 8 and 10.1	Item 11
h. Trademarks and proprietary information	Sections 10 and 14.1	Items 13 and 14
i. Restrictions on products and services offered	Section 8.1	Items 8 and 16
j. Warranty and customer service requirements	Sections 8.1, 8.2 and 8.3	Item 11
k. Territorial Development and sales quotas	Sections 3.1, 4.2 and Exhibit A	Item 12 and 16
l. Ongoing product/service purchases	Sections 8.1 and 8.2	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	Sections 8.3 and 9.1	Item 11

~~Obligation~~	~~Section in agreement~~	~~Disclosure document item~~
n. Insurance	Section 8.5	Items 7 and 8
o. Advertising	Section 9	Item 11
p. Indemnification	Section 8.2, 15	Item 6
q. Owner's participation/ management/staffing	Section 8.2	Item 15
r. Records and reports	Sections 8.6 and 8.7	Item 6
s. Inspections and audits	Sections 8.6, 8.12	Item 17
t. Transfer	Section 11	Items 6 and 17
u. Renewal	Sections 12.2 and 12.3	Items 6 and 17
v. Post-termination obligations	Sections 13.9 and 14.3	Item 17
w. Non-competition covenants	Sections 14.2 and 14.3	Item 17
x. Dispute resolution	Section 16	Item 17

ITEM 10
FINANCING

You must pay a minimum deposit equal to 40% of the total purchase price for the Robots and Location Procurement Fee at the time you sign your Franchise Agreement. You will pay the outstanding balance in pro rata portions within 72 hours after we procure a Location for one or more of your Robots until we have procured all Locations for all the Robots you have purchased. Other than this, we do not offer direct or indirect financing to you or guarantee any note, lease, or obligation of yours in connection with the purchase or establishment of your franchise business.

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

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

Before you begin operating your franchise business, we will:

(1) Designate your territory. (Section 3.1 and Exhibit A of the Franchise Agreement)

(2) Although you must arrange for and coordinate the installation of your Robots, we are responsible for the costs of delivery and installation (excluding any cost for electrical work, such as upgrading the electrical service to 220v/30A, which will be your responsibility). (Sections 4.2 and 5 and Exhibit B of the Franchise Agreement)

(3) Provide you with initial training. (Section 6.1 of the Franchise Agreement)

~~(4)~~ Secure Locations for you. We will notify you when we identify a Location, and you must, within 7 days of your receipt of our notice, visit that Location and notify us of any physical or mechanical impediments at the Location which you believe would prevent the delivery or installation of a Robot at the Location. However, if for reasons out of your control, the owner of a Location prohibits you from visiting a Location during

(4) the 7-day review period described in the preceding sentence, we may extend the time for you to review the Location. (Sections 3.1 and 3.2 of the Franchise Agreement)

(5) Lend you a copy of, or provide access to, our Operations Manual and Guide, and any other written directive related to the System, as periodically amended, and including all bulletins, supplements and ancillary and written directives we may periodically establish (collectively, the "Manual"). The Manual contains our standard operational procedures, policies, rules, and regulations with which you will comply. (Section 7 of the Franchise Agreement)

During the operation of your franchise business, we will:

(1) Provide you with a limited, one-year warranty on each Robot (Section 4.1(c) of the Franchise Agreement)

(2) Collect all monies from electronic sales (e.g., debit card, credit card and other electronic transactions) at your Robots. By the 10th day of each month, we will send you a statement identifying the amount of Royalties due for the preceding month along with any other amounts then due and owing to us. We will retain the Royalties and any other amounts due and owing to us and pay you any remaining funds by a payment method elected by us, such as by check, wire transfer, or electronic funds transfer. (Section 5.6 of the Franchise Agreement)

(3) Provide refresher and additional training courses for you and your employees or representatives. (Sections 6.2 and 6.3 of the Franchise Agreement)

(4) Provide you with revisions and updates to our Manual. (Section 7 of the Franchise Agreement)

Advertising Policies

We do not maintain, and you do not contribute to, an advertising fund. Without our prior written approval, you may not use your own advertising. You must display on your Robots only graphics, advertising and signage specified and approved by us in the Manual or by other written directive. You may not engage in any advertising or promotional activities of your franchise business, such as affixing any advertising materials to any Robots or creating banners, posters, advertisements placed on any Online Presence (defined below), or brochures without our prior written consent.

We provide a link at our website to our preferred supplier of print items (such as posters, banners, brochures, and other miscellaneous marketing materials). So long as they meet our standards, we currently allow you to purchase these items from a supplier other than our preferred supplier, but if you do so, you will pay us a fee (currently, $150 per hour) for our services related to preparing the appropriate files for download and transfer to the supplier you have chosen. We may, during the term of your Franchise Agreement, require you to purchase these print items only from our designated supplier.

Except as approved by us in writing or in the Manual, you may not develop, maintain or authorize any website, domain name, email address, social media account, user name, other online presence or presence on any electronic medium of any kind (collectively, an "Online Presence") that mentions your business, links to any franchise system website or displays any of the Marks, or engage in any promotional or similar activities, whether directly or indirectly, through any Online Presence. If we approve the use of any Online Presence in the operation of your business, you will develop and maintain such Online Presence only in accordance with our guidelines, and we will own the rights to each such Online Presence.

There is no advertising council currently existing to advise us on advertising policies. There are no local or regional advertising cooperatives. There are no other advertising funds to which you must contribute.

Computer System and Equipment

Hardware. You will need to own or have access to a laptop or desktop computer system and commercially available software. The computer system will need to be equipped with Ethernet and USB ports and must support a functioning e-mail program and address. (Section 8.8 of the Franchise Agreement). High-speed internet access is recommended. The approximate cost to purchase or lease this type of computer system is between $300 and $1,000. You will also need to own a mobile telephone with SMS capacity. The estimated cost to purchase or lease this equipment is approximately $30 to $40. You will pay for ongoing maintenance and repairs to this equipment, as well as any upgrades or updates we require, which we estimate will cost you approximately $250 to $500 annually. There is no contractual limitation on the frequency and cost of such obligations (Section 8.8 of the Franchise Agreement). We are not required to assist you with buying, maintaining, repairing, upgrading, or updating this equipment.

Software. All Robots feature remote reporting systems that we approve. You will provide us with direct, independent, and uninterrupted access to your Robots' reporting systems, computer systems, and the files stored in your Robots at all times and via any means we specify. You may not interfere with, turn off or disable the remote reporting system at any time (Sections 8.7 and 13.2 of the Franchise Agreement). We typically access sales and inventory information from your computer system, but we reserve the right to access any data contained on your computer system. There are no contractual limitations on our right to access this information.

Securing Locations for your Robots

We anticipate that all of your Robots will be located, and you will be ready to commence operations of your franchise business, within 120 to 420 days from the date you sign the Franchise Agreement. This range depends mainly on the number of Robots you purchase and is subject to the extensions described below and to you providing us with proof of insurance. We will secure Locations for your Robots (both initial and any additional Robots you purchase) within:

(a) 120 days after the Location Procurement Board Date (defined below) for the 1st, 2nd, and 3rd Robots that you have purchased;

(b) 121 to 180 days after the Location Procurement Board Date for the 4th, 5th, and 6th Robots that you have purchased;

(c) 181 to 240 days after the Location Procurement Board Date for the 7th, 8th, and 9th Robots that you have purchased; and

(d) 241 to 300 days after the Location Procurement Board Date for the 10th, 11th, and 12th Robots that you have purchased.

The "Location Procurement Board Date" is the date that we first notify you that we have assigned a territory manager to your Territory and the territory manager has begun actively working to secure Locations for your Robots.

We may automatically extend the amount of time to secure Locations for your Robots for:

(a) 60 days, if we encounter events or conditions beyond our control, for instance, manufacturing delays, inclement weather, or transportation delays, which is in addition to any other extensions we are permitted;

(b) 60 days, if you reject one or more Locations we have secured that otherwise meet our site criteria and requirements for Locations as described in our Manual (which may be modified periodically), which is in addition to any other extensions we are permitted; and

(c) 30 days, or such longer time period necessary, if we have been unable to secure the requisite number of Locations because of your interference with the process, lack of response, default and/or other misconduct, which is in addition to any other extensions we are permitted.

Despite the time estimates described above, so long as we are making reasonable efforts to continue to secure Locations, you are not entitled to terminate your Franchise Agreement or make any claims against us for damages.

We will secure Locations for your Robots, but we do not own or lease the Locations. We will notify you when we have identified a Location that meets our site criteria and you must visit the Location within two business days of our notice to you. You may suggest Locations for your Robots, but you may not enter into any location agreement with a Location owner unless you have obtained our prior written approval of a proposed Location. We will approve or disapprove any Location you suggest within a reasonable time (typically 5 business days) after we have received all of the information we require to assess whether or not the Location meets our site criteria as described in the Manual, including zoning requirements, demographic information about the surrounding area, minimum daily foot traffic, traffic patterns and visibility of, and access to, the Robots.

If you reject any Location that satisfies our site criteria, the Location will still be counted as a secured Location for purposes of satisfying our obligation to secure Locations for your Robots. (Section 3.1 of the Franchise Agreement)

You may not relocate any of your Robots until all of your Robots have been purchased and installed (Section 4.3 of the Franchise Agreement) and you must complete our initial training before your Robots are installed (Section 6 of the Franchise Agreement). You will fulfill your obligations under the location agreements with the Location owners (Section 3.3 of the

Franchise Agreement).

The time period between signing your Franchise Agreement and commencing operations of your franchise business depends on a number of factors, including the time it takes to obtain and install your Robots and other equipment and signs, and to hire and train your support staff (if any), delays in obtaining necessary licenses and permits or a suitable storage facility, and your general business capabilities. With respect to each Robot, you are responsible to arrange for and coordinate the installation of the Robot by the distributor of the Robot at the Locations within a reasonable time after delivery of the Robots, which in no event can exceed 7 business days after delivery. (Section 4.2 of the Franchise Agreement) You must complete your initial training to our satisfaction at least 10 days before you begin operating your franchise business.

Manual and Product List

The instructions for operating your franchise business are contained in our Manual. The Manual contains our standard operational procedures, policies, rules, and regulations with which you must comply. A copy of the Table of Contents of our Manual, which has 109 pages, is attached as Exhibit D to this Disclosure Document.

Our product suppliers maintain a list of products that you are permitted to sell in your Robots, which is periodically subject to change. Upon request, you may review the current list of products before signing your Franchise Agreement. We may transmit updates of the Manual and its policies and procedures via e-mail or through a website portal. (Section 7 of the Franchise Agreement)

Training

After you sign the franchise agreement and before your Robots are installed, you will attend our initial training program at a location we determine and at a time we designate (Section 6.1 of the Franchise Agreement). Currently, our initial training program lasts for two days. If either you or any of your employees or representatives does not, in our sole judgment, successfully complete the training course, we may terminate your Franchise Agreement (Section 13.3 of the Franchise Agreement). You will pay for all of your and your personnel's expenses to attend any training program, including travel, lodging, car rentals, meals, and the wages of any person attending training (Section 6.5 of the Franchise Agreement).

We will conduct initial training for two persons at no cost to you. If you would like to have additional individuals attend the initial training program, you must pay us an additional training fee (currently $250 per person per day) for each additional individual (Section 6.1 of the Franchise Agreement). We generally conduct the initial training program on an as needed basis, but no less than five or six times per year. The current initial training program, which may change periodically, is as follows:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
The Brand and Experience	1 hour	0 hours	Our corporate headquarters, currently located in San Diego, California. In addition, some training currently occurs online.
Product and Equipment Training	1 hour	5 hours	
Product Features and Benefits	1 hour	0 hours	
Food Handling and Safety	1 hour	1 hour	
The Role of the Franchisee	0.5 hours	0 hours	
Human Resources	0.5 hours	0 hours	
Product and Supply Ordering	0.5 hours	0 hours	
Vendor/Supplier Presentation	0.5 hours	0 hours	
Business Management	1 hour	0 hours	
Financial Management	1 hour	0 hours	
Guest Service Training	1 hour	0 hours	
Sales and Marketing	1 hour	0 hours	
TOTAL	10 hours	6 hours	

Nikolas Wright, our Vice President, Operations, and additional R&I management and staff will supervise the training. Mr. Wright has over 3 years of experience with us and 19 years of experience in the subjects taught.

You must complete your initial training to our satisfaction at least 10 days before you begin operating your franchise business. Our primary instructional materials consist of our Manual, our Robot menus, and discussions.

Additional and Refresher Training

We may require you and/or your employees or representatives to attend additional or refresher training courses, or participate in similar continuing education programs. These additional courses may address new or modified procedures or address other operational aspects of your franchise business. You will pay us a training fee (currently $250 per person per day) for additional and refresher training programs, which will defray our direct costs for training materials, travel expenses (if any), and facility expenses. We may require you to participate in webinars, but will not charge you for your participation. You will pay for all of your and your personnel's expenses to attend any training program, including travel, lodging, car rentals, meals, and the wages of any person attending training (Section 6.3 of the Franchise Agreement).

Remedial Training

We may provide you with a remedial training program if we determine that you are not in compliance with the terms of your franchise agreement. These courses will focus on areas that need improvement for that particular franchisee. You will pay us a remedial training fee (currently $1,000 per person per day) to cover our costs for training materials, our travel expenses, and our facility expenses for the remedial training program, whether or not you (personally) attend the remedial training program. You will pay all expenses of you and your attendees related to remedial training, including travel, lodging, car rentals, meals, and the wages of any person attending training (Section 6.2 of the Franchise Agreement).

Franchisee Conference

We may hold an annual franchisee conference for all Reis & Irvy's franchisees. You are not required to attend the franchisee conference, but if you elect to attend you will pay us $500 per person to cover our costs for presentation materials, travel and facility expenses (Section 6.4 of the Franchise Agreement).

ITEM 12
TERRITORY

At the time you sign your Franchise Agreement, we will agree with you on the Territory in which all of your Robots will be located and it will be described in Exhibit A to your Franchise Agreement. Based on our experience in securing Locations for Robots, we will estimate the number of potential Locations that are available in your Territory by reviewing a number of factors, such as zip codes, population density and demographics; however, we do not use any specific formula or set of criteria to make this determination. Your Territory will generally be an area within a minimum radius of 25 miles from your home or another central location you and we designate, but may be smaller in metropolitan areas.

Territory and Right of First Refusal

~~Your Territory and your Locations will not be exclusive. You~~If you purchase 20 Robots you will receive a right of first refusal or the option for exclusivity provided there are no current franchisees in your territory. (A right of first refusal gives you the contractual right to purchase any location that becomes available in your territory or you may refuse to purchase the location in which case the location may be provided to another party.) Exclusivity will require an agreed purchasing schedule. If your Territory and your Locations are not exclusive, you may face competition from other Reis & Irvy's franchisees, Robots we or our affiliates own and operate, or from other channels of distribution or competitive brands that we control.

~~If the owner of a Location where you operate a Robot notifies us that it desires for an additional Robot or Robots to be installed at the Location, we determine that the Location meets our criteria for the proposed additional Robot(s), and you are then in compliance with your franchise agreement, then we will notify you of the owner's desire for additional Robot(s) at the Location and offer you the right to purchase the additional Robot(s) for the Location. Upon receipt of our notice, if you elect to exercise this right to purchase additional Robot(s) for the Location, you will do so by delivering the then-current purchase price and initial franchise fee for each such additional Robot no later than 21 days after receiving our notice. If you do not exercise this right to purchase additional Robot(s), then we are permitted to own and operate ourselves or to authorize any third party (including our affiliates) to own and operate Robots at the Location. Once you have elected not to exercise a right of first refusal with respect to a particular Location, whether by your failure to pay the purchase price and initial franchise fee or by declining the right of first refusal to purchase additional Robots, we are under no obligation to offer you any further rights of first refusal with respect to that particular Location.~~

~~Subject to your~~

Subject to any exclusive rights or a right of first refusal, we expressly reserve the right to: (a) own, acquire, establish, and/or operate, and license others to establish and operate, Robots at any location within and outside of your Territory; (b) own, acquire, establish, and/or operate, and license others to establish and operate, businesses under other proprietary marks or systems, whether those businesses are the same, similar, or different from your franchise business, at any location inside or outside of your Territory; (c) license others to sell or distribute any products or services that bear any proprietary marks, including the Marks, at any designated location, whether inside or outside of your Territory; (d) produce, license, distribute and market Reis & Irvy's–branded products, clothing, souvenirs, and novelty items through any outlet (regardless of its proximity to your franchise business) including grocery stores, supermarkets, and convenience stores and through any distribution channel, at wholesale or retail, including by means of the Internet, mail order catalogs, direct mail advertising, and other distribution methods; (e) own, acquire, establish, and/or operate and grant others the right to develop, own, operate, and grant franchises and licenses to others to develop, own, and operate other methods and alternative channels of distribution under different marks or utilizing the Marks and our licensed methods, including toll-free telephone numbers, domain names, URLs, on-line computer networks and services, the Internet, kiosks, robots, vending machines, carts, concessions, satellite units, other mobile, remote, limited service, or non-permanent facilities or other retail operations as a part of larger retail venues such as department stores, supermarkets, shopping malls, or in public areas such as amusement parks, airports, train stations, public facilities, college and school campuses, arenas, stadiums, hospitals, office buildings, convention centers, airline terminals, and military bases; and (f) engage in all activities not prohibited by your Franchise Agreement. We are not required to pay you any compensation if we exercise any of these rights.

~~You may solicit business outside of your Territory.~~ However, you may not solicit or accept orders through alternative channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, whether inside or outside of your Territory, without our written approval. There are no restrictions on your or our respective rights to solicit or accept business and you and we are free to advertise or solicit business in any geographic area, including in your Territory. We do not need to compensate you if we solicit business in your Territory.

~~As described in Item 1, from April 2010 to September 2016, our affiliate, FHV, offered and sold franchises to own and operate vending machines and/or micro markets using the Fresh Healthy Vending® trademark that dispense a variety of healthy, natural, and organic snack food and beverage products. FHV or its affiliates do not currently own or operate Fresh Healthy Vending® vending machines and micro markets. In addition, our affiliate, Generation NEXT Vending Robots, Inc. ("GNVR"), a Nevada corporation, formed on November 29, 2016, intends to manufacture, market, and sell robotic vending machines directly to retailers and other outlets, not as franchise sales. It is reasonable to expect that FHV franchisees and retailers who have purchased robotic vending machines from GNVR may have vending machines and micro markets located in and will solicit customers in your Territory. FHV and GNVR share our principal business address and we do not maintain physically separate offices for those affiliates. Neither we nor FHV have an obligation to resolve conflicts between franchisees of the respective franchise systems.~~

Purchase of Additional Robots

With our approval, you may buy additional Robots at any time during the term of your Franchise Agreement. We will secure Locations for any additional Robots you purchase within the same timeframes, and subject to the same extensions of time, as the Robots you initially purchased. If we receive a request for additional Robots at a specific site (for instance, a particular building on a school campus, but not to be defined as the entire school campus) where you already have one or more Robots installed, we will first offer you the opportunity to purchase the additional Robots. If you do not purchase the Robots, we will permit another franchisee to operate the additional Robots at the Location. Other than your rights to purchase additional Robots described above, you do not have any other options, rights of first refusal, or similar rights to acquire additional franchises.

Relocation of Robots

You may not relocate any of the Robots you initially purchase until all of them have been installed. You may relocate Robots if you obtain our prior approval of the new Locations for the Robots. The criteria we use in determining whether to allow you to relocate your Robots are the same criteria we use in approving Locations (such as population density and demographics). You are responsible for all costs associated with the relocation of your Robots, including the physical relocation of the Robot from its original Location to its new Location and installation of electrical service, and you will have to pay us a relocation fee. We will secure new Locations for your Robots within the same timeframes and subject to the same extensions of time, as the Robots you initially purchased.

ITEM 13
TRADEMARKS

As a franchisee, you are licensed to use and display the Marks for the duration of the Franchise Agreement, but only for the operation of your franchised business. You may not license or sublicense any trademarks, service marks, trade names, logotypes, or commercial symbols owned by us or our affiliates. We may require you to use this name with other words or symbols. We may also permit you to use other trademarks we own or license in the operation of your franchise business.

The following Mark is registered on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

	Registration Number	Registration Date
REIS & IRVY'S	4530264	May 13, 2014

All required affidavits have been filed.

You must follow our rules when you use the Marks. You cannot use any of the Marks as part of the name of your corporation, partnership, limited liability company, or other entity, or with any prefix, suffix, or other modifying words, terms, designs, or symbols. You may not use the Marks for the sale of an unauthorized product or service or in a manner we have not authorized in writing. You may not use the Marks with any Online Presence.

We are not aware of any currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any pending infringement, opposition, or cancellation or any pending material litigation involving our principal trademark.

Under an Intellectual Property License Agreement dated December 29, 2016, GNFB granted to us the right to use and to permit others to use the Marks. The term of the Intellectual Property License Agreement is for 99 years starting on December 29, 2016. GNFB may terminate the Intellectual Property License Agreement if we materially breach the terms of the agreement or cease to be an affiliate of GNFB. If we were ever to lose our rights under the Intellectual Property License Agreement to the Marks, GNFB must allow our existing franchisees to maintain their rights to use the Marks through the terms of their franchise agreements, including any renewal terms. Other than the Intellectual Property License Agreement, there are no agreements currently in effect which limit our right to use or license the use of any of the Marks in a manner that is material to the franchise.

We have not conducted an exhaustive search of users of names which may be the same or similar to the Marks and we may not be able to prevent their continued use, particularly in cases where their use predates our federal trademark and service mark registrations. There may be uses of marks similar to the Marks by prior users of which we are unaware.

You do not acquire any ownership rights in the Marks or the goodwill attributed to them. You may not challenge GNFB's ownership of the Marks or our right to use and license the use of the Marks, or assist anyone else in doing so, and you may not acquire any similar or identical trademarks.

You will use the Mark "REIS & IRVY'S" without any suffix or prefix attached to it to identify your franchise business. You will promptly notify us if you learn about an infringement of the Marks or a challenge to your use of the Marks. We may take any action we deem appropriate to protect and defend the Marks and the licensed methods or take no action. If we institute litigation or elect to defend an action, you will cooperate in any action if we request you to do so.

We agree to indemnify you for costs and expenses arising from any claims against you that your use of the Marks infringes on any third party's alleged trademark. We have the sole right, but not the obligation, to control any litigation involving the Marks and to compromise or settle any claim, in our discretion and at our sole cost and expense, using attorneys we choose, and you will cooperate fully in defending any claim. You may participate, at your own expense, in the defense or settlement. You may not make any demand against any alleged infringer, prosecute any claim, or settle or compromise any claim by a third party without our prior written consent. In the Franchise Agreement, you agree not to contest, directly or indirectly, GNFB's ownership, right, title, or interest in the Marks, or contest GNFB's sole right to register, use, or license others to use the Marks.

Periodically, in the Manual or in directives or supplemental bulletins, we may add to, delete, or modify any or all of the Marks.

You will modify, replace, or discontinue the use of any of our Marks if we require you to do so.

You will pay for the expenses you incur to comply with our requirements (e.g., changing signs, and destroying or recalling advertising and promotional items).

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

The Robots are manufactured using certain patented technology currently owned by GNFB, including the following patents:

Patent Number	Duration of Patent	Title	Type of Patent	Issued Date
8,989,893	Expires Nov. 12, 2030 (20 years from filing date of Nov. 12, 2010)	Method and apparatus for dispensing frozen confectionery	Utility patent	March 24, 2015
7,896,038	Expires Jan. 31, 2027	Method and apparatus for dispensing frozen confectionery	Utility patent	March 1, 2011

You do not receive any rights to these patents through the Franchise Agreement or by purchasing the Robots. We are not aware of any prior superior rights or infringing uses that could materially affect your use of the patented technology used in the manufacture of the Robots.

In addition, you can use the proprietary information we periodically provide you for the operation of your franchise business, including our Manual and other written materials. Although we have not filed an application for copyright registration, copyrights that are material to the franchise, we claim copyright protection for the Manual, artistic designs, word combinations, and other materials that we license you to use, other proprietary information and publications we own or have acquired under license from a third party, and all of our operating procedures, which we consider our proprietary intellectual property.

There are no infringing uses actually known to us that could materially affect your use of the copyrights, trade secrets, processes, methods, procedures, or other proprietary information described above. There are no agreements currently in effect that limit our rights to use or license the above-mentioned proprietary information in any manner.

You must notify us if you learn about an infringement of or challenge to your use of these copyrighted materials. We may take any action we believe appropriate if a third party is infringing on any of our copyrights.

We will provide you with information that is confidential, proprietary, and constitute trade secrets. Examples of this type of information include knowledge of the system and the technology, concepts, or results relating to new vending technology, sources and suppliers of equipment, suitable sites for Robots and, in general, methods, location service agreements, techniques, formulas, formats, specifications, standards, procedures, know-how, information systems, forms of agreement, and actual agreements such as those providing for Locations of Robots, and the entire contents of the Manual. You must maintain the absolute confidentiality of all of this information during and after the term of your Franchise Agreement. You may not use any of this information in any other business or in any manner not specifically authorized or approved in writing by us, or make copies of the information, or divulge the information to any other person except as we permit. You may be required to obtain a signed confidentiality agreement (in a form we provide designating us as a third-party beneficiary of all covenants with the independent right to enforce them) from any other person involved in your franchise business who will have access to any of our confidential information or trade secrets.

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

You will directly supervise the operation of your franchise business. If you are a corporation, partnership, limited liability company, or other legal entity, at least one of your owners must directly supervise the business. We must approve any person employed by you to perform any of your obligations to us or to your customers, and we may require you to have that person complete our initial training program at your expense and sign a non-disclosure and non-competition agreement in a form acceptable to us.

If you are a corporation, partnership, limited liability company or other entity, we will require all of your owners to sign a guaranty of your obligations under your Franchise Agreement and your owners' spouses may be required to consent to the guaranty. Your officers, directors, executives, members, managers, shareholders, partners, employees, and owners must sign a non-competition agreement with, and in a form acceptable to, us.

You are not required to grant an equity interest in your franchise business to any of your employees or managers, and these individuals do not need to own any minimum equity in you if you are a business entity.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

In order to maintain the reputation, continuity, goodwill and value of our System, you may only offer products and services at a Robot that we approve. Typically, these products will be those listed on our vendor's product list. You must sell only goods and services that we approve. We may change the types of products and services required to be offered at a Robot at any time and there are no limits on our right to do so. You must discontinue selling and offering for sale any products or services that we disapprove at any time. We have the right to add additional authorized products and services that you are required to offer. There are no limits on our right to do so. We do not restrict the customers to whom you may sell approved products and services.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in franchise or other agreement	Summary
a. ~~a.~~ Length of the franchise term	Section 12.1	10 years
b. Renewal or extension of the term	Sections 12.2 and 12.3	Successive 5-year renewal terms
c. Requirements for franchisee to renew or extend	Sections 12.2 and 12.3	Sign the then-current franchise agreement (which may contain terms and conditions materially different from those in your previous franchise agreement); be in good standing; pay the $5,000 renewal fee; sign a renewal addendum, which contains a general release (our current form of which is attached as Exhibit I to this Disclosure Document); provide us notice of your intent to renew.
d. Termination by franchisee	Section 13.1	Only if we default and fail to cure within 30 days (or more days if we cannot reasonably cure in 30 days and are diligently continuing efforts to cure).
e. Termination by franchisor without cause	None	Not applicable.
f. Termination by franchisor with cause	Sections 13.2 and 13.3	We can terminate if you default or if events described in (g) and (h) below occur.
g. "Cause" defined – curable defaults	Sections 13.2 and 13.3	5 days to provide proof of insurance or notice of change of address; 10 days to cure monetary defaults; 30 days to cure any other default of your franchise agreement, other than those described in (h) below.

Provision	Section in franchise or other agreement	Summary
h. "Cause" defined – non-curable defaults	Sections 8.3(d), 13.2, 17.19	Receipt, within a 12-month period, of 2 or more documented and verified complaints from a Location owner that remain unresolved; insolvency, assignment for creditors, bankruptcy; material misrepresentation or omission in application or report; felony convictions or involvement in conduct that reflects unfavorably on the system; violation of transfer restrictions; breach of any other agreement with us; unauthorized use of Marks or trade secrets; receipt of two or more notices of default in any 12-month period, whether or not you correct those defaults; suspension of or termination of any license or permit; failure to stock, service, or operate any of your Robots for 5 or more consecutive days; violation of non-compete covenants; loss of right to service a Robot; understatement of any payment to us by 2% or more or understatement of any payment due to us in any amount, twice in any two-year period; failure to provide proper access to the Robot statistics at any time; continued violation of any health, safety, or sanitation law that presents a health or safety hazard to customers or the public; default of your franchise agreement or any other agreement that is incapable of being cured; violation of anti-terrorism laws.
i. Franchisee's obligations on termination/non-renewal	Section 13.9	Pay all amounts owed to us; remove all Marks from Robots and return all materials containing the Marks; cease identifying yourself as a franchisee or former franchisee; cancel all fictitious or assumed names related to the Marks; comply with requirements in the Manual; cease to use any items associated with the franchise system or our trade secrets and return the Manual all confidential material; remove all products from Robots; cease using any Online Presence related to the Marks and disable or transfer the Online Presences to us; comply with post-termination non-competition covenants.
j. Assignment of contract by franchisor	Section 11.4	No restriction on our right to assign.

Provision	Section in franchise or other agreement	Summary
k. "Transfer" by franchisee–defined	Section 11.1	Includes any voluntary or involuntary, direct or indirect, assignment, sale, division, encumbrance, hypothecation, mortgage, pledge, or other transfer of the Franchise Agreement, any interest in the Franchise Agreement, any interest in your franchise business or substantially all of its assets (including any of the Robots), or, if you are an entity, any interest in you.
l. Franchisor approval of transfer by franchisee	Sections 11.1 and 11.2	We must approve any assignment or transfer. Approval will not be unreasonably withheld.
m. Conditions for franchisor approval of transfer	Section 11.2	You must be current in all obligations to us and all Robots must be installed; the proposed transferee must meet our qualifications (including being a U.S. citizen or lawfully able to live and own a business in the United States, or other such territory, and be fluent in English) and must complete training to our satisfaction; the sales price must not, in our judgment, be unreasonably high such that the proposed transferee is unlikely to satisfy its obligations; you and the transferee must sign a conditional consent to transfer, which contains a general release (our current form of which is attached as Exhibit J to this Disclosure Document); the proposed transferee must be licensed to operate the franchise business and have received all governmental consents; at our option, the transferee must sign our then-current form of franchise agreement, which may contain terms and conditions materially different from those in your previous franchise agreement; you must pay a transfer fee ($2,500 per Robot) plus our out-of-pocket expenses, including attorneys' fees; proposed transferee or its manager must complete initial training; all Robots must be installed.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 11.3	We can match any offer for a proposed transfer.
o. Franchisor's option to purchase franchisee's business	Section 4.4	None. However, upon your request and after all of your Robots have been in operation for a minimum of 12 months, you may offer to sell some or all of your Robots to us, and we may elect to purchase them (but are not required to do so).

Provision	Section in franchise or other agreement	Summary
p. Death or disability of franchisee	Section 11.5	Within six months after death or proven disability, your heirs or legal representatives may take over or assign to a third party the interest of the disabled or deceased person, subject to the transferee's satisfaction of the prerequisites for approving other assignees, as described in (m) above.
q. Non-competition covenants during the term of the franchise	Section 14.2	You and your owners may not engage in any business or activity that involves machines that are similar to the Robots.
r. Non-competition covenants after the franchise is terminated or expires	Section 14.3	Non-competition obligations continue for one year after the Franchise Agreement terminates, expires or is assigned; you may not advise, operate, engage in, or have any interest or relationship with a business which provides frozen confectionary vending services at any site which is within 25 miles of the Location of any of your Robots. If you violate the post-term covenant not to compete, you will pay us, throughout the one-year period following the termination, transfer, or expiration of your Franchise Agreement, 5% of the gross revenue of any business that provides vending services at any site within 25 miles of the Location of your Robots.
s. Modification of the agreement	Sections 7.2, 17.7, 17.9, 17.11	Generally, no modifications are valid, except those in writing signed by both parties. The franchise system and the Manual are subject to change; a court may also modify an unenforceable provision to the extent necessary to make it enforceable.
t. Integration/merger clause	Section 17.9	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable
u. Dispute resolution by arbitration or mediation	Section 16.4	Subject to state law, before initiating a lawsuit, the parties must first attempt to resolve a dispute by mediation.
v. Choice of forum	Section 16.2	Subject to state law, the county in which our principal place of business is located, which is currently San Diego, California.
w. Choice of law	Section 16.1	Subject to state law, California law applies.

Applicable state law may require additional disclosures related to the information in this Disclosure Document. These additional disclosures, if any, appear in Exhibit C attached to this Disclosure Document.

ITEM 18
PUBLIC FIGURES

~~Phil Mickelson, a world famous professional golfer, owns interests in franchisees that purchased franchise rights to own Robots in San Diego, California, and the future right to purchase Robots in Arizona and certain portions of Florida. Mr. Mickelson, through press releases, has agreed to speak to his experience in dealing with us and the operation of the Reis & Irvy's franchise. Although we did not, and do not, compensate him directly for those services, we did provide the franchisees in which he is an owner a reduced purchase price for their Robots, and GNFB granted Mr. Mickelson warrants to purchase stock of GNFB. Mr. Mickelson is not involved in our management or control, has no position in our business structure, and has made no investment in us.~~

~~Except as disclosed above, we~~
We do not use any public figure to promote the franchise system.

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.

Introduction

This Item 19 discloses gross revenue results for 3 affiliate-owned Robots (operated by our affiliate, 19 Degrees, Inc.), which represent all Robots that operated throughout all of calendar year 2017. As of June 30, 2018, 4 franchised Robots have begun operations, but those 4 Robots were only installed and put into operation in June 2018, and, therefore, those 4 Robots did not operate during the 2017 calendar year or the first 6-month period of 2018. The sales information from each Robot is reported through each Robot's electronic merchant processing system. The 3 affiliate-owned Robots are located in the following Locations: one museum; one indoor amusement park; one space center. These Robots are first-generation robots, and we are currently designing and manufacturing the second generation of Robots which will have a different design and improved functionality and reliability. In this Item 19, we use the term "gross revenue" to mean all sales generated by a Robot, which is the same definition that you will use in the operation of your Robots for determining Monthly Gross Revenues.

Results for 2017 Calendar Year

This portion of Item 19 discloses average annual gross revenue relating to the operation of the 3 affiliate-owned Robots that were in operation for the full 2017 calendar year:

Average annual gross revenue during the 2017 calendar year of the 3 Robots: $73,730;

Median annual gross revenue during the 2017 calendar year of the 3 Robots: $56,261;

Number of Robots that achieved or exceeded the average: 1 (33%);

Highest performing Robot: $113,508;

Lowest performing Robot: $51,420.

The following table discloses the actual monthly gross revenues of each of the 3 Robots described above that were in operation for the full 2017 calendar year.

Robot	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1(1)	$4,944	$8,070	$14,958	$10,872	$11,370	$11,604	$17,910	$9,714	$2,844	$7,314	$5,382	$8,526
2(2)	$5,922	$4,338	$5,712	$6,192	$6,396	$3,978	$6,180	$3,588	$2,784	$1,818	$3,096	$1,416
3(3)	$1,971	$2,165	$4,595	$6,595	$4,480	$7,610	$9,785	$8,490	$2,795	$2,205	$2,580	$2,990

Results from January 1, 2018, to June 30, 2018

The following table discloses the actual monthly gross revenues of the same 3 Robots that were in operation for the full 2017 calendar year described in the preceding section for the first 6 months of 2018.

Robot	Jan.	Feb.	Mar.	Apr.	May	June
1(1)	$6,312	$5,868	$18,750	$13,362	$13,044	$15,444
2(2)	*	$1,932	$5,316	$432	$2,034	*
3(3)	$2,155	$3,190	$1,720	*	*	*

Notes:

(1) This Robot has been in continuous operation with minimal inoperable days for repairs throughout 2017 and 2018. This Robot is located at the Houston Space Center ("HSC") in Houston, Texas. Based on the foot traffic at the Houston Space Center, we believe

the HSC Robot is in a unique location, and the gross revenue for the HSC Robot may not be indicative of average revenue for other Robots or locations.

(2) This Robot operated continuously from January 1, 2017, to December 31, 2017, but was closed for repairs for a portion of February 2017, August 2017, and April 2018. Additionally, this Robot operated intermittently from January 1, 2018, to June 30, 2018, and was temporarily removed from its location in June 2018.

(3) This Robot operated continuously from January 1, 2017, to March 31, 2018, but closed for repairs for a portion of January 2017. Additionally, this Robot was temporarily removed from its location in April 2018 and has not been returned to service.

(* Indicates a month during which a Robot was not operational.)

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

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

Other than the preceding financial performance representations, Reis & Irvy's, Inc., does not make any financial performance representations. 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 ~~Art Budman~~Ryan Polk at 2620 Financial Court, Suite 100, San Diego, CA 92117; telephone 858.210.4200, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEM-WIDE OUTLET SUMMARY AS OF JUNE 30, 2016, 2017 and 2018[(1), (2)]

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2016	0	0	0
	2017	0	0	0
	2018	0	4	+4
Company Owned [(3)]	2016	0	4	+4
	2017	4	3	-1
	2018	3	1	-2
Total Outlets	2016	0	4	+4
	2017	4	3	-1
	2018	3	5	+2

Note 1: For purposes of this Item 20 "Outlets" refers to the total number of Robots.

Note 2: Our fiscal year end is June 30. The figures provided in this and all other tables in this Item 20 are as of June 30, 2016, June 30, 2017, and June 30, 2018. We did not begin offering franchises until April 2016.

Note 3: Owned by our affiliate, 19 Degrees, Inc.

TABLE NO. 2
TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN FRANCHISOR OR AN AFFILIATE)

State	Year	Number of Transfers
All States	2016	0
	2017	0
	2018	0
Total Outlets	2016	0
	2017	0
	2018	0

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS AS OF JUNE 30, 2016, 2017 and 2018

State	Year	Outlets at Start of Year	Outlet Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Georgia	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
Michigan	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
Pennsylvania	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
Texas	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
TOTALS	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	4	0	0	0	0	4

TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS AS OF JUNE 30, 2016, 2017 and 2018

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
Arkansas	2016	0	1	0	0	0	1
	2017	1	0	0	1(1)	0	0
	2018	0	0	0	0	0	0
Pennsylvania	2016	0	1	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	1(2)	0	0
South Carolina	2016	0	1	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	1(3)	0	0
Texas	2016	0	1	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
TOTALS	2016	0	4	0	0	0	4
	2017	4	0	0	1	0	3
	2018	3	0	0	2	0	1

Note 1: This Robot was taken out of service in March 2016 and returned to service at the end of June 2016. It was again taken out of service for maintenance issues in August 2016 and has not been returned to service.

Note 2: This Robot was taken out of service for maintenance issues in June 2018 and has not been returned to service.

Note 3: This Robot was taken out of service for maintenance issues in April 2018 and has not been returned to service.

TABLE NO. 5
PROJECTED OPENINGS AS OF JUNE 30, 2018

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Alabama	4	3	0
Arizona	12	10	0
Arkansas	1	2	0
California	13	10	0
Colorado	11	10	0
Connecticut	1	2	0

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
Delaware	1	0	0
District of Columbia	2	0	0
Florida	23	10	0
Georgia	4	8	0
Hawaii	1	4	0
Idaho	2	2	0
Illinois	7	10	0
Indiana	4	6	0
Iowa	1	0	0
Kentucky	6	4	0
Louisiana	5	6	0
Maryland	1	6	0
Massachusetts	7	8	0
Michigan	11	10	0
Mississippi	4	5	0
Missouri	3	4	0
Montana	1	0	0
Nebraska	3	4	0
Nevada	6	4	0
New Jersey	5	5	0
New Mexico	3	3	0
New York	9	15	0
North Carolina	9	5	0
Ohio	7	10	0
Oklahoma	5	8	0
Oregon	6	4	0
Pennsylvania	7	8	0
South Carolina	2	5	0
Tennessee	7	6	0
Texas	35	10	0
Utah	3	3	0
Vermont	1	0	0
Virginia	2	5	0
Washington	1	5	0
Wisconsin	2	5	0
TOTALS	238	225	0

Attached as Exhibit E is a list of the names, addresses, and phone numbers of our current franchisees as of June 30, 2018. Attached as Exhibit F is a list of the names, addresses, and last known telephone numbers of any franchisees who had their franchise agreement terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased doing business during the fiscal year ended June 30, 2018, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. We did not begin offering franchises until April 2016.

A franchisee will operate more than one Robot at various Locations under his or her franchise agreement.

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

During the last three fiscal years, some former franchisees have signed confidentiality clauses. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Reis & Irvy's franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no independent trademark-specific franchisee organizations associated with the franchise system being offered that have asked to be included in this Disclosure Document.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit H to this Disclosure Document are audited consolidated financial statements of our parent as of June 30, 2018, and for the years ended June 30, 2018, 2017, and 2016. Our and our parent's fiscal year end is June 30. Generation NEXT Franchise Brands, Inc., has guaranteed the performance of obligations to you under the Franchise Agreement and related documents. A copy of the Guarantee of Performance is also attached as Exhibit H.

ITEM 22
CONTRACTS

The following agreements are attached to this Disclosure Document:

Exhibit B:	Franchise Agreement
Exhibit C:	State Addenda to Disclosure Document and Agreement Riders
Exhibit E:	Representations and Acknowledgment Statement
Exhibit I:	Form of General Release
Exhibit J:	Agreement and Conditional Consent to Transfer

ITEM 23
RECEIPTS

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

EXHIBIT A

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

List of State Administrators and Agents for Service of Process

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
California	Department of Business Oversight: 1(866) 275-2677 **Los Angeles** 320 West 4th Street Suite 750 Los Angeles, California 90013 (213) 576-7505 **Sacramento** 1515 K Street, Suite 200 Sacramento, California 95814-4052 (916) 445-7205 **San Diego** 1350 Front Street San Diego, California 92101 (619) 525-4044 **San Francisco** One Sansome Street, Suite 600 San Francisco, California 94104 (415) 972-8559	Department of Business Oversight: 1(866) 275-2677 **Los Angeles** 320 West 4th Street Suite 750 Los Angeles, California 90013 (213) 576-7505 **Sacramento** 1515 K Street, Suite 200 Sacramento, California 95814-4052 (916) 445-7205 **San Diego** 1350 Front Street San Diego, California 92101 (619) 525-4044 **San Francisco** One Sansome Street, Suite 600 San Francisco, California 94104 (415) 972-8559
GEORGIA	Georgia Secretary of State Corporations Division 2 Martin Luther King, Jr. Drive Suite 315, West Tower Atlanta, Georgia 30334 (404) 651-8600	Georgia Secretary of State Corporations Division 2 Martin Luther King, Jr. Drive Suite 315, West Tower Atlanta, Georgia 30334 (404) 651-8600
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs P.O. Box 40 Honolulu, Hawaii 96810 (808) 586-2722	Commissioner of Securities, Dept. of Commerce & Consumer Affairs 335 Merchant Street Room 203 Honolulu, Hawaii 96813 (808) 586-2722
ILLINOIS	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
INDIANA	Indiana Secretary of State Securities Division, E-111 302 W. Washington St, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6531
LOUISIANA	State of Louisiana Department of Justice Public Protection Division P.O. Box 94005 Baton Rouge, LA 70804 (225) 326-6438	State of Louisiana Secretary of State 8585 Archives Ave. Baton Rouge, LA 70809 (225) 925-4704
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	Maryland Securities Commissioner Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
MICHIGAN	Consumer Protection Division, Antitrust and Franchising Unit Michigan Dept. of Attorney General 670 G. Mennen Williams Building 525 West Ottawa Lansing, Michigan 48933 (517) 373-7117	Michigan Department of Commerce Corporations and Securities Bureau P.O. Box 30054 6546 Mercantile Way Lansing, Michigan 48909
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600	Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600
NEW YORK	New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, New York 10005 (212) 416-8236 Phone (212) 416-6042 Fax	Attn: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492
NORTH CAROLINA	North Carolina Secretary of State 2 South Salisbury Street Raleigh, North Carolina 27601-2903 (919) 807-2000	North Carolina Secretary of State 2 South Salisbury Street Raleigh, North Carolina 27601-2903 (919) 807-2000
NORTH DAKOTA	Office of the Securities Commissioner State Capitol, Fifth Floor 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712	Securities Commissioner State Capitol, Fifth Floor 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-2910

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
OREGON	Dept. of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Dept. of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387
RHODE ISLAND	Director, Securities Division State of Rhode Island Department of Business Regulation Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, RI 02920 (401) 462 9582	Securities Division Department of Business Regulation, Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue, Cranston, RI 02920 (401) 462 9582
SOUTH CAROLINA	South Carolina Secretary of State's Office Attn: Business Opportunity Division 1205 Pendleton Street, Suite 525 Columbia, SC 29201 (803) 734-1728	Corporation Service Company 1703 Laurel Street Columbia, South Carolina (800) 927-9800
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-4823	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-4823
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising Ninth Floor 1300 East Main Street Richmond, Virginia 23219 (804) 371-9672	Clerk, State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9672
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Road, SW Tumwater, Washington 98501 (360) 902-8760	Director, Department of Financial Institutions Securities Division 150 Israel Road, SW Tumwater, Washington 98501
WISCONSIN	Securities and Franchise Registration Wisconsin Securities Commission 345 West Washington Street, 4th Floor Madison, Wisconsin 53703	Securities and Franchise Registration Wisconsin Securities Commission 345 W. Washington St., 4th Floor Madison, Wisconsin 53703

EXHIBIT B

FRANCHISE AGREEMENT

REIS & IRVY'S, INC.

FRANCHISE AGREEMENT

FRANCHISEE: ________________________

EFFECTIVE DATE: ________________________

REIS & IRVY'S, INC.
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REIS & IRVY'S, INC.

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") is entered into between REIS & IRVY'S, INC., a Nevada corporation with its current principal business address at 2620 Financial Court, Suite 100, San Diego, California 92117 ("Franchisor"), and the person(s) or entity listed as the Franchisee on the signature block of this Agreement ("Franchisee"), as of the date signed by Franchisor and set forth below Franchisor's signature on this Agreement (the "Effective Date").

1 PURPOSE

A. Franchisor and its affiliates have developed methods for establishing, operating and promoting robotic soft serve vending kiosks ("Robots") featuring the Marks (as defined below) that dispense frozen yogurt and other frozen soft serve treats in various locations, including museums, amusement parks, retail locations, business offices, hotels, hospitals, schools, universities, industrial facilities and similar locations. All the products authorized by Franchisor to be dispensed from Robots are collectively referred to in this Agreement as the "Products."

B. The methods for establishing, operating and promoting Robots include the use and license of certain trademarks, trade names, service marks, designs, emblems, logos, graphics, slogans, copyrights, trade dress, trade secrets, commercial symbols and other indicia of origin including, without limitation, the mark "REIS & IRVY'S" (the "Marks"), and Franchisor's distinctive techniques, expertise, and knowledge in establishing, operating and promoting Robots and related methods of doing business ("Licensed Methods").

C. Franchisor desires to grant to Franchisee, and Franchisee wishes to obtain from Franchisor, the right and license to operate Robots under the Marks and utilizing the Licensed Methods, on the terms and subject to the conditions set forth in this Agreement.

2 GRANT OF FRANCHISE

Franchisor grants to Franchisee, and Franchisee accepts from Franchisor, the right to use the Marks and Licensed Methods in connection with the operation of Robots only at the locations described in Article 3. Franchisee agrees to use the Marks and Licensed Methods as they are periodically changed, improved, and further developed and only in accordance with the terms of this Agreement. Franchisee shall not sublicense, sublease, subcontract or enter any management agreement for the right to operate the Robots or use the Marks and Licensed Methods.

3 FRANCHISED LOCATIONS

3.1 Securing Locations

(a) <u>Site Criteria.</u> Franchisor shall, on behalf of Franchisee, obtain locations for the installation of Robots ("Locations"), or Franchisor may approve Locations suggested by

Franchisee, in the territory identified in Exhibit A ("Territory"), which Locations will satisfy the Location criteria established by Franchisor from time to time. Franchisee acknowledges and agrees that Franchisor may periodically change the Location criteria at its discretion based on changes in demographics, zoning requirements, traffic patterns and visibility of, and access to, Robots. Franchisor will notify Franchisee when Franchisor has identified a Location that meets Franchisor's Location criteria and Franchisee shall, within seven (7) calendar days following receipt of such notice (the "**Location Review Period**"), visit the Location and notify Franchisor in writing if Franchisee has identified any physical or mechanical impediments with the Location that would prevent the delivery and installation of a Robot at the Location; provided, however, if, for reasons out of Franchisee's control, the owner of a Location prohibits Franchisee from visiting such Location during the Location Review Period, Franchisor may, in its discretion, extend the Location Review Period. If Franchisee fails to deliver such a notice to Franchisor before the expiration of the Location Review Period, then Franchisee shall be deemed to have acknowledged that a Robot can be delivered to and installed at the Location.

In conducting the search for potential Locations for the installation of Franchisee's Robots, if the owner of a proposed Location notifies Franchisor that the owner seeks to charge Franchisee a commission greater than twenty percent (20%) of the Monthly Gross Revenue (defined in Section 5.2(a)) or thirty (30%) of the monthly gross profit of the Robot(s) to be installed at the proposed Location, Franchisor will notify Franchisee of the proposed commission rate before Franchisee visits the Location to assess the proposed Location. Franchisee's failure to object to the proposed commission rate within seven (7) days following Franchisee's receipt of the proposed commission rate will be deemed Franchisee's acceptance of the proposed commission rate.

(b) <u>Franchisee Suggested Locations.</u> If Franchisee wishes to suggest a Location for operation of a Robot, Franchisee must submit a request for approval to Franchisor in writing and must provide Franchisor with all additional information requested by Franchisor necessary for Franchisor to evaluate the suggested Location. Franchisor will approve or disapprove a suggested Location in its discretion within a reasonable period of time after Franchisor has received Franchisee's written request and any additional information requested by Franchisor. Under no circumstances may Franchisee secure Locations without the prior approval of Franchisor. Franchisee may not begin searching for Locations or negotiating with Location owners prior to Franchisee's completion, to Franchisor's satisfaction, of the initial training program described in Section 6.1.

(c) <u>Approved Locations.</u> For purposes of this Agreement, Locations secured by Franchisor that satisfy Franchisor's site criteria, and any Locations suggested by Franchisee and approved by Franchisor, shall be referred to as "Approved Locations." A Location will be deemed to satisfy Franchisor's site criteria, and thus will be counted as an "Approved Location," if the owner of the Location represents to Franchisor that the Location satisfies either of the following criteria: (i) the Location has a minimum weekly average of four hundred (400) Unique Customers per day, where "Unique Customer" is defined as a customer that visits the Location only occasionally; or (ii) the Location has a minimum weekly average of one thousand (1,000) Captive Customers per day, where "Captive Customer" is defined as a customer that visits the Location regularly. Franchisee acknowledges that (i) Franchisor is relying on the Location owner's representations regarding the number of Unique Customers and/or Captive Customers at a given Location;

(ii) such numbers of Unique Customers and/or Captive Customers are not Franchisor's representation or guarantee that the Location will continue to have any minimum number of customers; and (iii) Franchisee is not relying on any minimum number of customers at the Location in determining whether to approve or reject such Location. Upon notice to Franchisee, Franchisor reserves the right to increase or decrease the minimum numbers of Unique Customers and/or Captive Customers in determining whether a given Location satisfies Franchisor's site criteria.

(d) Acknowledgement of Secured Locations. Once contracts representing fifty percent (50%) of Franchisee's Locations have been obtained, and again when contracts representing the balance of Franchisee's Locations have been obtained, Franchisee shall acknowledge and agree in writing that Franchisor has secured the Locations and that the secured Locations are Approved Locations. If Franchisee fails to respond within forty-eight (48) hours of receipt of Franchisor's request that Franchisee sign an Acknowledgement of Secured Locations, Franchisee shall be deemed to have acknowledged and agreed that Franchisor has secured the Locations and that the secured Locations are Approved Locations.

(e) Rejected Locations. If Franchisee rejects an Approved Location, Franchisee acknowledges and agrees that the rejected Approved Location shall nevertheless be counted as an Approved Location for purposes of satisfying Franchisor's obligations to secure Locations under the terms of this Agreement. For example, if Franchisee purchases six (6) Robots and accepts Franchisor's first two (2) Locations but rejects the third (3rd) Location, Franchisor shall be obligated to find only three (3) more Locations for Franchisee. In that example, Locations beyond the sixth (6th) Location secured by Franchisor shall be paid for by Franchisee in accordance with the Relocation procedures and fees set forth in Section 4.3 herein. In addition, Franchisee acknowledges and agrees that with respect to replacing a rejected Approved Location, Franchisor shall have the same amount of time to secure replacement Locations as it has to secure initial Locations as set forth in Section 3.2, commencing on the date Franchisee notifies Franchisor in writing that it has rejected an Approved Location.

(f) Expansion of Territory. Franchisor may, in its discretion, but shall not be required to, increase the size of the Territory up to an additional fifteen (15) mile radius if Franchisor determines that expansion is necessary to obtain the requisite number of Approved Locations.

(g) No Guarantee. Franchisor's securing of Locations or approval of Locations suggested by Franchisee shall not be construed to insure or guarantee the profitability of Locations secured under this Agreement, or that Franchisee's operation of the Robots will be successful, profitable or achieve any specific amount of Monthly Gross Revenue from the Robots. Franchisee acknowledges and agrees that the Monthly Gross Revenue of any Robot may substantially decrease based on a variety of factors such as increased competition, different product offerings, changes in consumer traffic, or the financial condition of, or decisions with regard to the Locations (e.g., downsizing or moving) made by, Location owners. Franchisee further acknowledges and agrees that Franchisee's right to operate and service the Robots at any Location is dependent on the continuing permission of the Location owner and Franchisor provides no assurance or guarantee that any Location owner will continue to permit Franchisee to operate the Robots for any specified period of time. Franchisor shall not be obligated to secure relocations in the event that an Approved Location is terminated subsequent to installation of a Robot.

3.2 Timeframe for Securing Locations

(a) Initial Timeframe. Subject to Section 3.2(b), Franchisor will secure Locations for the Robots within the following timeframes:

(i) within 120 days after the Location Procurement Board Date (defined below) for the 1st, 2nd, and 3rd Robots that Franchisee has purchased;

(ii) within 121 to 180 days after the Location Procurement Board Date for the 4th, 5th, and 6th Robots that Franchisee has purchased;

(iii) within 181 to 240 days after the Location Procurement Board Date for the 7th, 8th, and 9th Robots that Franchisee has purchased; and

(iv) within 241 to 300 days after the Location Procurement Board Date for the 10th, 11th, and 12th Robots that Franchisee has purchased.

The "**Location Procurement Board Date**" means the date that Franchisor first notifies Franchisee that it has assigned a territory manager to Franchisee's Territory and the assigned territory manager has begun actively working to secure Locations for Franchisee's Robots.

(b) Extensions of Time. Franchisor may automatically extend the amount of time to secure Franchisee's Locations for:

(i) Sixty (60) days if Franchisor encounters events or conditions beyond Franchisor's control, for instance, manufacturing delays, inclement weather, or transportation delays, which is in addition to any other extensions Franchisor is permitted;

(ii) Sixty (60) days if Franchisee rejects one (1) or more Locations Franchisor has secured that otherwise meets Franchisor's Site Criteria and requirements for Locations as described in Franchisor's Manual (which may be modified periodically), which is in addition to any other extensions Franchisor is permitted; and

(iii) Thirty (30) days, or such longer time period necessary, if Franchisor has been unable to secure the requisite number of Locations because of Franchisee's interference with the process, lack of response, default, and/or other misconduct, which is in addition to any other extensions Franchisor is permitted.

(c) Franchisor's Reasonable Efforts. Notwithstanding Section 3.2(a), so long as Franchisor is making reasonable efforts to continue to secure Locations, Franchisee is not entitled to terminate this Agreement or make any claims against Franchisor for damages.

(d) Additional Robots. If Franchisee purchases additional Robots after Franchisee's initial purchase, Franchisor will secure Locations for any additional Robots within the same timeframes, and subject to the same extensions of time, as the Robots Franchisee initially purchased.

3.3 Location Agreements

Franchisee shall enter into location agreements ("Location Agreements") with Location owners setting forth the terms and conditions for the installation, maintenance, and restocking of the Robots at such Locations, any commission to be paid to the Location owners, and such other matters as are customary. Franchisee shall thereafter fulfill all of Franchisee's obligations under the Location Agreements and shall service, maintain, repair, clean and restock the Robot in accordance with the terms of the Location Agreements, the Manual (defined in Section 7), and this Agreement. Franchisee acknowledges that Location Agreements are subject to change from time to time and may vary among Locations to accommodate Location owners. Once Franchisee accepts the Location, Franchisee shall assume all liability with respect to the Location and under the applicable Location Agreement, including its obligations to the Location owners, and all service, maintenance and restocking requirements.

3.4 Franchisee's Right of First Refusal; Franchisor's Reservation of Rights

~~If (i)~~Franchisees who purchase twenty (20) Robots may receive a right of first refusal in their territory subject to availability; all other Franchisees have a right of first refusal at each Location where they operate a Robot. If (i) a Location becomes available in the territory of a Franchisee who has a right of first refusal or the owner of a Location where Franchisee operates a Robot notifies Franchisor that it desires for an additional Robot or Robots to be installed at the Location,

~~(ii)~~ (ii) Franchisor determines, in its discretion, that such Location meets Franchisor's criteria for the proposed additional Robot(s), and (iii) Franchisee is then in compliance with all the terms and conditions of this Agreement, then Franchisor will notify Franchisee of the owner's desire for additional Robot(s) at the Location and offer Franchisee the right to purchase the additional Robot(s) for the Location. Upon receipt of Franchisor's notice, if Franchisee elects to exercise this right to purchase additional Robot(s) for the Location, Franchisee will do so by delivering, with respect to each additional Robot, the purchase price to the designated supplier and the initial franchisee fee to Franchisor no later than twenty-one (21) days after receiving Franchisor's notice. If Franchisee does not exercise this right to purchase additional Robot(s) within such twenty-one (21)-day period, then Franchisor is permitted to own and operate for itself or to authorize any third party (including Franchisor's affiliates) to own and operate Robots at the Location. Once Franchisee has elected not to exercise a right of first refusal with respect to a particular Location, whether by Franchisee's failure to pay the purchase price and initial franchise fee within the twenty-one (21)-day period or by declining the right of first refusal to purchase additional Robots, Franchisor is under no obligation to offer Franchisee any further rights of first refusal with respect to that particular Location.

Subject to Franchisee's right of first refusal, Franchisor retains the right, among others, in any manner and on any terms and conditions that Franchisor deems advisable, and without granting Franchisee any rights therein:

(a) To own, acquire, establish and operate, and license others to own, acquire, establish and operate, a Reis & Irvy's Robot business at any Location within and outside of the Territory;

~~(a)~~(b) To own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks or other systems, whether such businesses are the same, similar, or different from Franchisee's operation of Robots under the terms of this Agreement, at any location, whether inside or outside of the Territory;

~~(b)~~(c) To license others to sell or distribute any products or services which bear any proprietary marks, including the Marks, at any designated location, whether inside or outside of the Territory;

~~(c)~~(d) To produce, license, distribute and market Reis & Irvy's branded products, clothing, souvenirs, and novelty items through any outlet (regardless of its proximity to Franchisee's business) including grocery stores, supermarkets and convenience stores and through any distribution channel, at wholesale or retail, including by means of the Internet, mail order catalogs, direct mail advertising and other distribution methods;

~~(d)~~(e) To own, acquire, establish and/or operate and grant others the right to develop, own, operate and grant franchises and licenses to others to develop, own and operate other methods and channels of distribution under different marks and branding or utilizing the Marks and the Licensed Methods, including, without limitation, toll-free telephone numbers, domain names, URLs, online computer networks and services, the Internet, kiosks, robots, vending machines, carts, concessions, satellite units, other mobile, remote, limited service or non-permanent facilities or other retail operations as a part of larger retail venues such as department stores, supermarkets, shopping malls or in public areas such as amusement parks, airports, train stations, public facilities, college and school campuses, arenas, stadiums, hospitals, office buildings, convention centers, airline terminals and military bases; and

~~(e)~~(f)To engage in all activities that are not prohibited under this Agreement.

4 PURCHASE, INSTALLATION AND RELOCATION OF ROBOTS; FRANCHISOR BUYBACK

4.1 Purchase of Robots

(a) Designated Supplier. Franchisee shall purchase Robots only from a supplier designated by Franchisor (which may include Franchisor or its affiliates) and may not purchase any similar type of machines from any other supplier or vendor.

~~(b)~~**Number of Robots; Purchase Price.** Franchisee shall purchase the number of Robots and related equipment set forth on Exhibit A, for the purchase price set forth on Exhibit B. Franchisee shall purchase a 3-Robot, 6-Robot, 9-Robot, or 12-Robot package. On the Effective Date, Franchisee shall: (i) pay the designated supplier of Robots (which may include Franchisor or its affiliates) a non-refundable deposit equal to at least forty percent (40%) of the total purchase price for all Robots purchased; and (ii) pay Franchisor a non-refundable deposit equal to at least forty percent (40%) of the total Location

(b) Procurement Fee (defined in Section 5.3) for all Robots purchased. Franchisee shall pay the outstanding purchase price balance to the designated supplier and the remaining balance of the Location Procurement Fee to Franchisor in pro rata portions within seventy- two (72) hours after Franchisor procures a Location for one (1) or more of Franchisee's Robots until Franchisor has procured all Locations for all the Robots Franchisee has purchased. The Robots will not be delivered until Franchisee has paid the full purchase price and Location Procurement Fee.

(c) Warranties on Robots. Franchisor shall warrant each Robot against defects in materials and workmanship when used in accordance with the Manual and the Robot's published operating instructions for a period of ONE (1) YEAR from the date of delivery of the applicable Robot (the "Warranty Period"). OTHER THAN THIS LIMITED WARRANTY, FRANCHISOR MAKES NO WARRANTY TO FRANCHISEE WITH RESPECT TO THE ROBOTS, EITHER EXPRESSED OR IMPLIED, INCLUDING, WITHOUT LIMITATION, IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. Franchisee shall be responsible for all freight and service fees related to parts delivered and/or installed under warranty. At any time during the Warranty Period, Franchisee may elect to purchase an extended warranty on a particular Robot (an "Extended Warranty"). The terms of the Extended Warranty shall be described in the Manual.

4.2 Delivery and Installation of Robots

Within one hundred twenty days (120) days after (a) Franchisor secures a Location for a Robot and (b) Franchisee has paid any outstanding balance for the Robot and the balance due on the applicable Location Procurement Fee, Franchisor's distributor will deliver the Robot to that Location. Franchisee acknowledges and agrees that Franchisee is solely responsible to arrange for and coordinate the installation of Franchisee's Robots by the distributor at the Locations within a reasonable time after delivery of the Robots, which in no event shall exceed seven (7) business days after delivery; provided, however, that Franchisor is responsible for the costs for delivery and installation of the Robots, excluding any costs for electrical work at any Location, which costs shall be borne solely by Franchisee.

4.3 Relocation of Robots

(a) Relocation. Franchisee cannot relocate any of Franchisee's Robots until all of the Robots have been purchased and installed. At such time, if Franchisee has identified a Location to which Franchisee desires to relocate a Robot, Franchisee will deliver a written request for relocation to Franchisor. If Franchisor approves the proposed Location identified by Franchisee, Franchisee will secure the Location without any assistance from Franchisor and Franchisee will not be required to pay Franchisor the relocation fee set forth on Exhibit B and described in Section 4.3(b). If Franchisee wishes to relocate a Robot and wants Franchisor to identify and secure a Location for the relocation, Franchisee will deliver a written request for relocation assistance to Franchisor. If Franchisor approves the proposed relocation request and request for assistance, Franchisee shall pay Franchisor the Relocation Fee (defined below) set forth on Exhibit B and described in Section 4.3(b). Franchisor shall secure the alternative Location within the same time frames, and subject to the same extensions of time, as set forth in Section 3.2; provided, however, if Franchisor secures a new Location that Franchisee rejects, Franchisee may elect to pay a "Location Rejection Fee" set forth on Exhibit B, in which case Franchisor will seek an alternative Location for the rejected Location according to the provisions of Section 3.1(a).

(b) Relocation Fee. For all relocations requested by Franchisee, Franchisee shall pay Franchisor the relocation fee set forth on Exhibit B ("Relocation Fee"). Franchisee shall pay one hundred percent (100%) of the Relocation Fee at the time Franchisee submits its relocation request; provided, however, that if Franchisee has secured its own relocated Location (which relocated Location has been approved by Franchisor), a Relocation Fee shall not be due, but Franchisee shall be responsible for paying for all necessary costs of relocation, including without limitation, electrical service required to operate a Robot at the relocated Location.

(c) Payment for Relocation. Once Franchisor has approved the relocation of a Robot, Franchisee shall arrange for and pay a local, experienced moving company to relocate the Robot from its original Location to the new Location. Franchisee acknowledges and agrees that Franchisee is responsible for all costs incurred in connection with any relocation, including but not limited to the installation of necessary electrical service required to operate a Robot at the relocated location.

(d) Franchisee Obligations. If Franchisor is unable to obtain a satisfactory alternative Location in connection with a relocation request, Franchisee must, nonetheless, comply with all of Franchisee's obligations under this Agreement, including Franchisee's obligations with respect to all Robots in service and any commitment to purchase additional Robots.

4.4 Repurchase of Robots

(a) Once all of Franchisee's Robots have been installed and have been in operation for at least 12 months, Franchisee may, but is not obligated, to offer to sell some or all of Franchisee's Robots to Franchisor. Franchisee's request must be in writing. Within thirty (30) days after receipt of Franchisee's written request, Franchisor shall either (i) reject Franchisee's offer to sell, or (ii) prepare a statement of the fair market value for the Robots. "Fair market value" is defined as what a knowledgeable, willing, and unpressured buyer would pay to a knowledgeable, willing, and unpressured seller in the market.

(b) Within ten (10) days after Franchisor notifies Franchisee of its fair market value determination, Franchisee shall notify Franchisor whether or not Franchisee desires to proceed with the proposed sale. If Franchisee wishes to consummate the proposed sale, Franchisee will notify Franchisor in writing. Franchisor and Franchisee shall enter into an agreement, in a form acceptable to Franchisor, under which this Agreement will be terminated and Franchisee (and, if applicable, its Owners and guarantors) will execute and deliver a general release of all claims Franchisee has or may have against Franchisor, and its respective officers, shareholders, directors, employees, agents, representatives and affiliates. Franchisor shall deliver the agreed purchase price amount for the Robots within thirty (30) days after both parties have executed the termination and release agreement.

5 FEES

5.1 Initial Franchise Fee

On the Effective Date, Franchisee shall pay to Franchisor an initial franchise fee in the amount set forth on Exhibit B ("Initial Franchise Fee"). The Initial Franchise Fee shall be in addition to the purchase price of the Robots described in Section 4.1 and set forth on Exhibit B. The Initial Franchise Fee shall be deemed fully earned by Franchisor on the Effective Date and shall not be refundable, in whole or in part, upon any expiration or termination of this Agreement, at any time, or under any other circumstances. Franchisee will pay Franchisor's then-current Initial Franchise Fee for each additional Robot Franchisee may agree to purchase after the Effective Date.

5.2 Royalties

(a) <u>Monthly Gross Revenue.</u> For purposes of this Agreement, "Monthly Gross Revenue" means all funds generated by Robots from the purchase of Products including, without limitation, all funds generated by credit card, debit card and other electronic transactions.

(b) <u>Amount of Royalty.</u> Franchisee shall pay Franchisor a monthly royalty fee (the "Robot Royalty") equal to twelve percent (12%) of the Monthly Gross Revenue.

5.3 Location Procurement Fee

Franchisee shall pay to Franchisor the "Location Procurement Fee" set forth on Exhibit B. The Location Procurement Fee shall be in addition to the purchase price of the Robots described in Section 4.1 and set forth on Exhibit B and will be payable in the same manner as provided in Section 4.1(b). Franchisee will pay a Location Procurement Fee for each additional Robot Franchisee may agree to purchase. If, in accordance with Section 3.1(b), Franchisee secures Locations (with Franchisor's prior approval) for Franchisee's Robots, Franchisor shall provide Franchisee a credit of $2,500 for each Location that Franchisee procures without Franchisor's assistance, which will be applied when Franchisee pays the outstanding balance as described in Section 4.1(b).

5.4 Remote Monitoring Fee

Franchisee shall pay Franchisor a monthly, per Robot, remote monitoring fee ("Remote Monitoring Fee") in the amount set forth on Exhibit B.

5.5 Sales Tax on Robot Purchase Price; Payment of State or Local Taxes

Franchisee shall pay to Franchisor all taxes that any taxing authority within Franchisee's state(s) imposes on or seeks to collect on account of the purchase price paid to Franchisor for the Robots. Franchisee will pay to the taxing authority within Franchisee's state(s) any taxes that such taxing authority imposes on or seeks to collect on account of Franchisee's Monthly Gross Revenue or income.

5.6 Time and Manner of Payments

(a) Robots. All electronic payments processed by a Robot ("Electronic Payment Funds") will be sent directly to Franchisor. By the tenth (10th) day of each month, Franchisor shall send Franchisee a statement identifying the amount of Robot Royalties due for the preceding month along with any other amounts then due and owing to Franchisor (including the Remote Monitoring Fee) and remit to Franchisee the Electronic Payment Funds received by Franchisor during the preceding month less the Robot Royalties and any other amounts due and owing to Franchisor. Franchisor shall not deduct any applicable credit card processing or software license fees attributable to customer purchases of Products from the amounts that Franchisor remits to Franchisee.

(b) Method of Payment. Franchisor shall make payment to Franchisee of any amounts due Franchisee by a method of payment Franchisor determines from time to time, which may include, but is not limited to, by check, wire transfer, or electronic funds transfer.

(c) Application of Payments. Franchisor shall have the sole discretion to apply any payments received on behalf of Franchisee to any amounts Franchisee owes to Franchisor or its affiliates, in such amounts and in such manner as Franchisor shall determine.

(d) Reimbursement of Monies Paid on Behalf of Franchisee. Franchisee shall pay to Franchisor, within fifteen (15) days of any written request by Franchisor accompanied by reasonable substantiating information, all monies which Franchisor has paid, or has become obligated to pay, on behalf of Franchisee, by consent or otherwise, under this Agreement.

6 TRAINING

6.1 Initial Training Program

Franchisee, or if Franchisee is a corporation, partnership or limited liability company, its managing shareholder, partner, or member ("Owner") must attend and successfully complete Franchisor's initial training program, at the time designated by Franchisor, at a place Franchisor determines in its sole discretion. Franchisee, or its Owner, as applicable, shall complete Franchisor's Initial Training Program to the satisfaction of Franchisor at least ten (10) days before commencing operation of the franchise business. Franchisee may send two (2) individuals to initial training at no charge to Franchisee. Franchisor may charge an additional fee for individuals in excess of two (2) to attend initial training, and the current fee for individuals in excess of two (2) to attend initial training is set forth on Exhibit B.

6.2 Remedial Training

If Franchisee receives a notice of default with regard to Franchisee's breach of its obligations under the terms of this Agreement and fails to cure the default within the applicable cure period, Franchisor may require that Franchisee satisfactorily complete remedial training as required by Franchisor in its discretion. If Franchisor requires

Franchisee to undergo remedial training, and whether or not Franchisee or Franchisee's employees or representative commence or complete remedial training, Franchisee will pay Franchisor's then current fee for the remedial training to defray Franchisor's cost to provide the remedial training, including without limitation, the costs of training materials, facility expenses and/or Franchisor's travel expenses. The current fee for individuals to attend remedial training is set forth on Exhibit B.

6.3 Additional Training

Franchisor may periodically require Franchisee or its Owner(s) to attend additional training programs or receive similar continuing education to address new procedures or other operational aspects of the franchise business. Franchisee will pay Franchisor its then-current fee for additional training to attend additional training or continuing education programs, which will defray Franchisor's direct costs for training materials, along with Franchisor's travel expenses (if any), and facility expenses. The current fee for individuals to attend additional training is set forth on Exhibit B. Franchisor may require Franchisee to participate in webinars at no charge. Franchisee shall complete all additional training and continuing education programs and webinars to the satisfaction of Franchisor.

6.4 Franchisee Conference

Franchisor may, but is not obligated to, host an annual franchisee conference for all Reis & Irvy's franchisees. Attendance at any franchisee conference is not mandatory, but if Franchisee elects to attend a franchisee conference, Franchisee shall pay Franchisor a franchisee conference fee in the amount set forth on Exhibit B at least forty-five (45) days before the date of the conference.

6.5 Travel, Lodging and Other Expenses

In addition to any fees payable as set forth in this Section 6, Franchisee shall pay any and all expenses incurred by Franchisee or its Owners to attend training or any franchisee conference including, without limitation, the costs of travel, lodging, meals, any wages payable to Franchisee's employees and any other out-of-pocket expenses incurred by Franchisee.

7 OPERATIONS MANUAL

7.1 Access to Manual

Franchisor shall lend Franchisee a copy of, or provide Franchisee access to, Franchisor's proprietary and confidential Operations Manual and Guide, other manuals, technical bulletins or other written or videotaped materials, including any modifications or amendments thereto (collectively, the "Manual") for use during the term of this Agreement. The Manual may be mailed, emailed, made available for download from Franchisor's website or franchisee internet portal, or otherwise delivered to Franchisee. The Manual contains mandatory specifications, standards, operating procedures and rules for Franchisee's franchise business ("System Standards") and information on suggested procedures and Franchisee's other obligations under this Agreement. All mandatory specifications, standards, operating procedures and rules in the Manual, or otherwise communicated to Franchisee in writing, shall constitute obligations under this Agreement as if fully set forth in this Agreement. The Manual is and shall remain the property of Franchisor. Franchisee shall not duplicate the Manual, nor disclose its contents to persons other than to Owners, employees or officers who need the information to perform their respective job duties. If Franchisee loses, misplaces or otherwise no longer has possession of the Manual, Franchisee shall pay Franchisor the Manual replacement fee set forth on Exhibit B. Franchisee shall promptly return the Manual to Franchisor upon termination or expiration of this Agreement.

7.2 Modifications to Manual

The Manual may be modified from time to time to reflect changes to this Agreement or any of the specifications, System Standards, operating procedures and rules for Franchisee's franchise business. Franchisee acknowledges and agrees that all modifications to the Manual shall be binding upon Franchisee and Franchisee will accept, implement and adopt any such modifications at Franchisee's expense.

8 FRANCHISEE OBLIGATIONS

8.1 Products and Suppliers

(a) Initial Inventory. Franchisee will purchase Franchisee's initial inventory of Products from Franchisor's designated suppliers from the suppliers' Products list approved by Franchisor as meeting the System Standards and specifications described in the Manual ("Approved Products"). Franchisor shall have the right at any time to add or delete Products from the suppliers' Approved Products lists. Franchisor does not control the prices, delivery terms or other terms related to the sale of Approved Products. The mix of Approved Products may vary depending on where Franchisee's Robots are located. Franchisee agrees to purchase Approved Products in accordance with the purchase order format designated by Franchisor.

(b) Subsequent Orders of Approved Products. After purchasing the initial inventory of Approved Products from Franchisor's designated supplier, Franchisee must stock Franchisee's Robots with Approved Products purchased only from sources approved by Franchisor.

(c) Product Orders and Payment. Franchisee will purchase Approved Products through Franchisor's designated suppliers using the form of purchase order periodically prescribed by Franchisor. In the event that any terms or conditions of any purchase order for Approved Products are inconsistent with the terms or provisions of this Agreement, the terms and provisions of this Agreement will supersede the terms or conditions of the purchase order.

(d) Delivery of Products. Franchisee agrees that it will take delivery of Products at a location reasonably designated by Franchisor, its designated supplier or such other supplier of Products as Franchisor may have approved.

(e) No Warranty. EXCEPT AS SET FORTH IN SECTION 4.1(c), FRANCHISOR MAKES NO WARRANTY TO FRANCHISEE WITH RESPECT TO PRODUCTS, EITHER EXPRESSED OR IMPLIED, INCLUDING, WITHOUT LIMITATION, IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

(f) Modification to Product Purchases. Notwithstanding any other provision of this Agreement, Franchisor may modify the terms and conditions under which Franchisees may purchase Products, including designating itself as the sole supplier of the Products or changing its designated supplier for Products.

(g) Product Orders upon Default by Franchisee or Termination of Agreement. Franchisee acknowledges and agrees that during any period during which Franchisee is in default of this Agreement and has failed to cure such default, or in the event this Agreement expires or is otherwise terminated, neither Franchisor nor its designated supplier shall be obligated to fulfill or ship to Franchisee any orders of Products made prior to the event of default or during the period of default, or pending or made after the date of expiration or termination of this Agreement; provided, however, that Franchisor or its designated supplier will fulfill and ship an amount of Products as may be reasonably necessary to keep Franchisee Robots stocked up to the date of expiration or termination of this Agreement.

8.2 Standards of Service; Franchisee Employees

(a) Standards of Service. The operation of each Robot shall be under the direct supervision of Franchisee or Franchisee's Owner. Franchisee shall, and shall cause its employees and other representatives, to adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct in all dealings with Location owners, Robot customers, suppliers, vendors and the general public. In order to ensure uniformity and the highest first-class quality of the services and Products offered and sold under the Marks, Franchisee shall not deviate from any of the System Standards, specifications or operating procedures specified in this Agreement and the Manual. While servicing or restocking Robots, Franchisee and Franchisee's employees shall wear uniforms specified in the Manual, and Franchisor may require Franchisee to purchase such uniforms from a required supplier (which may include Franchisor or its affiliates). Franchisee and Franchisee's employees shall maintain personal hygiene and appearance at professional levels at all times in accordance with the Manual while servicing or restocking Robots.

(b) Franchisee Employees. All of Franchisee's employees shall be the employees of Franchisee solely, and shall not for any purpose be employees of Franchisor or subject to Franchisor's direct or indirect control. Franchisee shall be solely responsible for all employment decisions related to the franchise business, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees. Franchisee shall not request or expect to receive advice or assistance from Franchisor with regard to any of Franchisee's employees or employment practices. Franchisee hereby indemnifies, defends, reimburses and holds Franchisor harmless from any direct and indirect losses, costs and expenses, including attorney's fees, arising out of any claim against Franchisor made by or for the benefit of any employee of Franchisee regarding their employment by Franchisee including, without limitation, those related to hiring, firing, training, wages and hour requirements, record keeping, supervision, and discipline of employees. Franchisee's indemnification obligations set forth in this Section shall continue in full force and effect subsequent to and notwithstanding the expiration, termination, or non-renewal of this Agreement.

8.3 **Maintenance, Service, and Repairs**

(a) Robot Condition and Maintenance. Franchisee shall maintain the physical and mechanical condition, appearance and efficient operation of all Robots in accordance with the System Standards. Except as otherwise set forth in Section 8.3(c), all maintenance and repairs of Robots shall be performed by Franchisee or third parties approved by Franchisor.

(b) Service Calls. Franchisee shall respond to all service calls from Location owners, their representatives or others within twenty-four (24) hours of its initial receipt of a request or complaint. Franchisor may, upon twenty-four (24)-hour notice to Franchisee, and at Franchisee's cost, dispatch a third-party mechanic or other service person to a Location if, in Franchisor's discretion, it is necessary to do so to minimize damage to a Robot or to prevent losing a Location. Alternatively, Franchisor (or its affiliates) may provide such service call or repairs, and if Franchisor (or its affiliates) does so, Franchisee shall pay to Franchisor, upon demand, the service fee set forth on Exhibit B along with any other costs (such as costs for parts) incurred by Franchisor in connection with servicing a Robot.

(c) Robot Repairs. Franchisee shall use its best efforts to repair any Robot within five (5) business days after being notified of any operational problem. During this period, Franchisee will notify Franchisor in writing immediately upon determining that Franchisee is unable to satisfactorily repair the Robot, and Franchisee shall cooperate with and assist Franchisor in repairing the Robot in a timely manner. Franchisee shall pay for all costs and expenses related to any Robot repairs, whether performed by Franchisee, a third party and/or Franchisor outside the Warranty Period described in Section 4.1. If any Robot is unable to be repaired to Franchisor's satisfaction, Franchisor may require Franchisee to remove that Robot from the Location. Franchisee will remove the Robot, at Franchisee's sole expense, within five (5) days after Franchisor's written request for removal. Franchisee's failure to repair or remove any Robot in accordance with the terms of this Section 8.3(c) is a material breach of this Agreement. Notwithstanding the foregoing, if, during the initial one-year Warranty Period, any Robot is unable to be repaired to Franchisor's satisfaction, Franchisor will remove that Robot from the Location at Franchisor's expense and arrange for the delivery and installation of a replacement Robot.

(d) Termination for Failure to Provide Adequate Service. If, within any 12-month period, Franchisor receives two (2) or more documented and verified complaints from a Location owner regarding Franchisee's failure to satisfactorily perform services at any Location, and such complaints remain unresolved to the Location owner's satisfaction after a reasonable amount of time (in Franchisor's determination), Franchisor may (i) require Franchisee to cease operating its Robots at the Location, (ii) operate and maintain (by itself or by an affiliate) any Robot(s) at the Location on Franchisee's behalf (and collect a management fee in accordance with Section 13.5 hereof), (iii) authorize another franchisee to operate and maintain Robot(s) at the Location, or (iv) terminate this

Agreement, each without compensation to Franchisee and without obligation to provide a replacement Location to Franchisee.

8.4 Purchase and Payment Obligations

(a) Obligations to Franchisor. Franchisee shall timely fulfill all of Franchisee's purchase and payment obligations in accordance with the terms of this Agreement. If Franchisee fails to do so, Franchisor shall have the right to (i) terminate this Agreement, and (ii) retain any amounts previously paid by Franchisee to Franchisor as liquidated damages.

(b) Location Commissions. Franchisee shall pay commissions due to Location owners directly to the Location Owners no later than the tenth (10th) day of each month, and shall accompany each payment with a report reflecting all Monthly Gross Revenue of the Robots during the previous month.

(c) Obligations to Third Parties. In addition to the obligation to pay Location commissions to Location owners, Franchisee shall timely comply with any payment obligations Franchisee may owe to third parties in connection with the operation of the franchise business.

8.5 Insurance

(a) Requirements. Insurers must satisfy Franchisor's criteria, including a minimum Best's Rating of A- or other comparable rating. The amounts and types of coverage shall include (i) general liability of not less than $1,000,000 per occurrence and general aggregate coverage of $2,000,000 for a single claim, (ii) product liability coverage of not less than $1,000,000 per occurrence and general aggregate coverage of $2,000,000 for a single claim, (iii) workers compensation insurance in compliance with all applicable state and local laws and regulations, (iv) comprehensive vehicle liability coverage of not less than $1,000,000, and (v) such other coverage as Franchisor may periodically require. Franchisor may, upon written notice to Franchisee, change or modify the types or amounts of coverage Franchisee is required to maintain. Franchisee acknowledges and agrees that: (i) the amounts and types of coverage required by Franchisor may not necessarily satisfy the insurance requirements of a given Location owner where Franchisee's Robots will be installed; (ii) Location owners may require Franchisee to obtain additional types and coverage amounts above and beyond Franchisor's required insurance coverages; and (iii) Franchisee will obtain any required amounts and types of insurance coverage required by each Location owner.

(b) Coverage. Prior to commencing operations of the franchise business, Franchisee shall, at Franchisee's expense, procure, and shall maintain in full force and effect at all times during the initial term or any renewal term of this Agreement insurance protecting Franchisee, Franchisor, and each of their respective partners, affiliates, shareholders, officers, directors, agents, and employees, against any demand or claim with respect to personal and bodily injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon, or in connection with the operation of, the franchise business including, without limitation, the use and operation of all Robots and all vehicles used in the operations of the business. Franchisee shall also obtain and keep in full force and effect during the term of the Agreement employer's liability and workers compensation insurance. Franchisee's insurance policies shall name Franchisor as an additional insured with primary non- contributory coverage and comply with any other requirements Franchisor may periodically prescribe in the Manual or otherwise. Franchisee shall also, upon the request of any Location owner, name such Location owner as an additional insured under its policy. Franchisee's insurance policies shall also (i) contain a waiver by Franchisee and Franchisee's insurers of their respective rights of subrogation against Franchisor and expressly, (ii) provide that Franchisor shall be provided with thirty (30) days' prior written notice of any material alteration to, or cancellation or non-renewal of, the insurance, and (iii) expressly provide that any interest of Franchisor under the insurance coverage shall not be affected by any breach by Franchisee under the insurance policies.

(c) <u>Certificates.</u> At least ten (10) days prior to commencing operations of the franchise business and thereafter during the term of this Agreement at least thirty (30) days prior to expiration of coverage, Franchisee shall deliver to Franchisor certificates of insurance evidencing the proper types and minimum amounts of required coverage required by this Agreement.

8.6 Books and Records; Authorization to Release Information

(a) <u>Books and Records.</u> Franchisee shall maintain books and records related to the franchise business as are normal and appropriate for businesses that are the same or similar to the franchise business. Franchisee shall pay all taxes assessed against Franchisee including, without limitation, unemployment taxes, sales taxes, use taxes, withholding taxes, excise taxes, personal property taxes, intangible property taxes, gross receipt taxes, or any similar taxes or levies, imposed upon or required to be collected or paid by Franchisee. Franchisor shall have the right, upon reasonable notice and during reasonable business hours, to inspect and audit Franchisee's books and records. Franchisor reserves the right to disclose financial and accounting data received from Franchisee or otherwise available to Franchisor.

(b) <u>Authorization to Release Information.</u> Upon a default by Franchisee of any of the terms or provisions of this Agreement, Franchisee hereby authorizes all banks, financial institutions, businesses, suppliers, contractors, vendors and other persons or entities with whom Franchisee does business to disclose to Franchisor any financial information in their possession relating to Franchisee or the franchise business that Franchisor requests in writing relating to Franchisee's default.

8.7 Robot Data

All Robots must contain a feature, approved by Franchisor in its discretion, that permits Franchisor to receive remotely statistical and other data and information related to Franchisee's Robots including, without limitation, total sales, inventory, sales by Product and Product category, and number of Robot Locations ("Robot Data"). At all times during the initial term or any renewal term of this Agreement, Franchisee shall provide Franchisor, via any and all means specified by Franchisor, with direct and uninterrupted access to all Robot computer systems, remote reporting systems and files. Franchisee shall not take any action that would prevent, prohibit, or interfere with Franchisor's collection of Robot Data including, without limitation, disconnecting or disabling any part or element of any Robot. Franchisee's breach of the provisions of this Section 8.7 shall be the basis for immediate termination of this Agreement.

8.8 Computer Equipment; Information Security

On the Effective Date, Franchisee shall own, purchase or have access to a laptop or desktop computer system loaded with certain commercially available software required by Franchisor. The computer system shall be equipped with Ethernet and USB ports and shall be capable of sending and receiving e-mails to and from Franchisor. Franchisee shall also own a mobile telephone with SMS capacity. Franchisee shall maintain and keep the computer and mobile telephone equipment in good repair and obtain and pay for any upgrades or updates Franchisor may require.

Franchisee must implement all administrative, physical and technical safeguards necessary to protect any information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, biometric or health data, government-issued identification numbers and credit-report information ("Personal Information") in accordance with applicable law and industry best practices. It is entirely Franchisee's responsibility (even if Franchisor provides Franchisee any assistance or guidance in that regard) to confirm that the safeguards Franchisee uses to protect Personal Information comply with all applicable laws and industry best practices related to the collection, access, use, storage, disposal and disclosure of Personal Information. If Franchisee becomes aware of a suspected or actual breach of security or unauthorized access involving Personal Information, Franchisee will notify Franchisor immediately and specify the extent to which Personal Information was compromised or disclosed.

8.9 Storage Facility

On or before the Effective Date, Franchisee shall acquire or obtain access to a storage facility that conforms to the guidelines set forth in the Manual and satisfies all health department requirements and applicable laws rules and regulations for handling fresh food and beverages. Franchisee must also obtain access to a location for the delivery of Products that is satisfactory to the Products' suppliers, which may be in addition to the storage facility.

8.10 Vehicle

Following the Effective Date, unless Franchisee owns or otherwise has access to a Vehicle sufficient to accept delivery of products and adequate to transport products to all Robots, Franchisee shall acquire a small sports utility vehicle, hatchback car, or other midsize or large vehicle. Franchisee shall maintain the physical and mechanical condition, appearance and efficient operation of the Vehicle in a manner sufficient to transport Products and/or to receive Products, and to stock the Robot.

8.11 Compliance with Applicable Law

Prior to commencing operations, Franchisee shall obtain all required licenses, permits, registrations, certificates and other operating authority necessary for the operation of the franchise business and shall maintain them in full force and effect throughout the initial term or any renewal term of this Agreement. Franchisee shall operate the franchise business in full compliance with all applicable statutes, laws, rules, regulations, ordinances, policies and procedures established by any governmental authority as they may be periodically enacted, amended or supplemented. Franchisee shall notify Franchisor immediately upon receipt or notice of any citation, notice, complaint or other indication that Franchisee has violated any such laws, rules or regulations and shall transmit copies of such violation notices to Franchisor. Franchisee shall be responsible for paying all costs associated with complying with any such citation, notice or complaint.

8.12 Franchisor Inspection of Business and Operations

Franchisor shall have the right to inspect Franchisee's Robots, their Locations, the vehicle and any storage facility at any time to ensure compliance with the Manual and this Agreement. Franchisee shall fully cooperate with Franchisor in conducting, supervising or observing any such inspection.

8.13 Modifications to Obligations

Franchisor may, from time to time, upon notice to Franchisee, add to, subtract from or otherwise modify or change Franchisee's obligations under this Agreement including, without limitation, adoption of new or modified Marks or services, or new or additional types of Robots or techniques relating to the promotion and marketing of the franchise business. Franchisee agrees to promptly accept and implement all such additions, modifications and changes at Franchisee's sole cost and expense, provided that any modification does not cause an undue financial hardship to Franchisee.

9 ADVERTISING

9.1 Robot Graphics

Robots shall be delivered with all necessary graphics and signage installed. Franchisee shall display on the Robots only graphics, advertising and signage contained in Franchisor's approved graphics kit or otherwise specified and approved by Franchisor in the Manual or other writing. In the event a Robot's graphics and/or signage must be replaced, Franchisee shall purchase such graphics and/or signage from Franchisor's designated supplier. Other than as set forth in this Section 9.1, Franchisee shall not engage in any advertising or promotional activities of the franchise business, including, without limitation, affixing any advertising materials to any Robots or creating banners, posters, advertisements placed on any Online Presence (defined in Section 10.2), or brochures, without the prior written consent of Franchisor.

9.2 Custom Designs

If Franchisee wishes to modify the design of any advertising or promotional materials that Franchisor has made available to Franchisee (including but not limited to corporate ID packages, posters, uniforms, banners, and brochures), Franchisee will deliver a written request describing the proposed modifications or designs to Franchisor. If Franchisor approves the proposed modifications or designs and agrees to make any such custom modifications or designs, Franchisee will pay Franchisor's then-current fee for custom design services. The current fee is reflected on Exhibit B. In accordance with Section 10 of this Agreement, Franchisee acknowledges that Franchisor shall own all intellectual property rights in any such custom modifications and designs.

9.3 Print Items

Franchisor may offer Franchisee the opportunity to purchase print items and other marketing materials (including but not limited to posters, banners, and brochures) ("**Print Items**") from Franchisor or another supplier designated by Franchisor. If Franchisee wishes to purchase Print Items from a supplier other than Franchisor's designated supplier, Franchisee will pay Franchisor a fee (currently, $150 per hour) for Franchisor's services related to preparing the appropriate files for download and transfer to the supplier Franchisee has chosen; provided, however, Franchisor reserves the right to designate a mandatory supplier for Print Items during the term of this Agreement (which may include Franchisor and its affiliates) and, thereafter, Franchisee shall only purchase Print Items from such mandatory supplier.

9.4 Online and Social Media Advertising

Except as approved by Franchisor in writing or in the Manual, Franchisee may not develop, maintain or authorize any Online Presence that mentions Franchisee's business, links to any franchise system website or displays any of the Marks, or engage in any promotional or similar activities, whether directly or indirectly, through any Online Presence. If Franchisor approves the use of any such Online Presence in the operation of Franchisee's business, Franchisee will develop and maintain such Online Presence only in accordance with Franchisor's guidelines, including Franchisor's guidelines for posting any messages or commentary on other third-party websites. Franchisor will own the rights to each such Online Presence. At Franchisor's request, Franchisee agrees to grant Franchisor access to each such Online Presence, and to take whatever action (including signing assignment or other documents) Franchisor requests to evidence Franchisor's ownership of such Online Presence, or to help Franchisor obtain exclusive rights in such Online Presence.

10 MARKS, TRADE NAMES AND PROPRIETARY INTERESTS

10.1 Ownership of Marks and Goodwill

Franchisee acknowledges that Franchisor's affiliate, Generation NEXT Franchise Brands, Inc. ("Licensor"), is the owner of the Marks, and that Franchisee's right to use the

Marks is derived solely from, and subject to, the terms and conditions of this Agreement and is limited to the operation of the franchise business in accordance with this Agreement and the Manual. Franchisee shall not contest or oppose, or assist anyone else to contest or oppose, directly or indirectly, Licensor's ownership of the Marks, application for registration of the Marks, or the registration or validity or enforceability of the Marks. Franchisee's use of the Marks and any goodwill associated with the Marks shall inure to the exclusive benefit of Franchisor. Franchisee acknowledges and agrees that Franchisee's use of the Marks after the expiration or termination of this Agreement shall constitute an unauthorized use of the Marks and shall, in addition to all other remedies to which Franchisor may pursue, entitle Franchisor, Licensor, and their affiliates to recover damages for trademark infringement and counterfeiting.

10.2 Limitations on Franchisee's Use of the Marks

Franchisee acknowledges that Licensor, Franchisor, and their affiliates have a prior and superior claim to the "REIS & IRVY'S" trade name. Franchisee shall not use the words "REIS & IRVY'S" in the legal name of any corporation, partnership, limited liability company or other business entity. Franchisee also agrees not to register or attempt to register a trade name using the words "REIS & IRVY'S" or any portion thereof in Franchisee's name or that of any other person or business entity. Franchisee further agrees not to use the Marks (a) with any other prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form, or with the commercial symbols or trade dress of any other person or entity, (b) in connection with the sale of any unauthorized products or services, (c) as part of any website, domain name, email address, social media account, user name, other online presence or presence on any electronic medium of any kind (collectively, an "Online Presence"), or (d) in any other manner not expressly authorized in writing by Franchisor.

10.3 Defense of Marks by Franchisor

(a) If Franchisee receives notice or learns of a claim, suit, demand or proceeding ("claim") against Franchisee on account of any alleged infringement, unfair competition, or similar matter relating to Franchisee's use of the Marks, Franchisee shall promptly notify Franchisor of such claim. Franchisee shall have no power, right, or authority to settle or compromise any claim brought by a third party without the prior written consent of Franchisor. Franchisor may, but shall not be required to, defend, compromise or settle any claim at Franchisor's cost and expense, using attorneys of its own choosing. If Franchisor decides to defend, compromise or settle any claim, Franchisee shall cooperate fully with Franchisor in connection with the defense the claim. Franchisee irrevocably grants Franchisor authority and power of attorney to defend or settle any claim.

(b) If Franchisee receives notice or is informed or learns that any third party that Franchisee believes is not authorized to use the Marks is using the Marks or any variants thereof, Franchisee shall promptly notify Franchisor. Franchisor shall, in its sole discretion, determine whether or not it wishes to undertake any action against such third party for alleged infringement of the Marks. Franchisor shall have the sole authority and power to prosecute or settle such action. Franchisee shall render such assistance as Franchisor shall reasonably demand to carry out the prosecution of any such action including, without limitation, becoming a nominal party to any legal action. Franchisee shall have no right to prosecute any claim of any kind or nature whatsoever against such alleged infringer for or on account of said alleged infringement.

10.4 Substitution of Marks

Franchisor may change, revise or substitute different Marks for use in identifying the Reis & Irvy's franchise system if the Marks no longer can be used, or if Franchisor, in its discretion, determines that one (1) or more substituted marks will be beneficial to the Reis & Irvy's franchise system. The use of the substituted Marks shall be governed by the terms of this Agreement, and Franchisor shall not compensate Franchisee for such substitution. Franchisee shall promptly accept such changes, and implement them at Franchisee's sole cost and expense, provided that the modification does not cause an undue financial hardship to Franchisee.

10.5 Copyright

Franchisor has developed, and may further develop during the term of this Agreement, the Manual and certain artistic designs and word combinations designated for use by Franchisee. Franchisor retains all right, title and interest thereto as provided by copyright law to the originator of works and Franchisee is licensed to use such copyrighted materials solely in accordance with the terms of this Agreement. If Franchisee develops or suggests a change or additional component of the franchise business, Franchisor may adopt such change or addition without compensation to Franchisee, and such change or addition shall thereupon become part of the Licensed Methods owned by Franchisor.

11 TRANSFER

11.1 Transfer by Franchisee

The rights granted to Franchisee under this Agreement are personal and Franchisee acknowledges that Franchisor is entering into this Agreement in reliance upon and in consideration of Franchisee's individual character, skill, aptitude, business ability, English language fluency, physical and financial capacity to perform the obligations under this Agreement or, if Franchisee is an entity, of its Owners. Accordingly, Franchisee shall not transfer this Agreement, any interest in this Agreement, any interest in the franchise business or substantially all of its assets (including, without limitation, any of the Robots), or, if Franchisee is an entity, any interest in Franchisee without Franchisor's prior written consent and without offering Franchisor a right of first refusal. Further, Franchisee shall not offer to transfer this Agreement or any interest in this Agreement or, if Franchisee is an entity, any interest in Franchisee, without Franchisor's prior consent and shall not advertise for any such transfer in any media (including by listing any of the foregoing for sale on any sales directory or platform) without Franchisor's prior written consent. Any attempt at a transfer that violates the provisions of this Article 11 shall constitute a material breach of this Agreement and shall convey no right or interest in this Agreement. If Franchisee desires or proposes to transfer any right or interest under this Agreement to a potential transferee, Franchisee shall first notify Franchisor in writing at least sixty (60) days before the proposed transfer, setting forth in detail all of the proposed terms and conditions of the transfer, a copy of the proposed sale and purchase agreement between

Franchisee and the proposed transferee, the name and address of the proposed transferee, and the consideration to be paid. For purposes of this Article 11, a "transfer" includes any voluntary or involuntary, direct or indirect, assignment, sale, division, encumbrance, hypothecation, mortgage, pledge, or other transfer.

11.2 Pre-Conditions to Franchisee's Transfer

If Franchisor has not exercised its right of first refusal as provided in Section 11.3, Franchisor shall not unreasonably withhold its consent to the transfer if the proposed transfer complies with all of the following pre-conditions:

(a) All amounts due and owing Franchisor by Franchisee under the terms of this Agreement or otherwise have been paid in full and Franchisee shall not have violated any of the provisions of this Agreement for the sixty (60) days prior to the date Franchisee requests Franchisor's consent to the transfer, and for the period between the date of the request and the effective date of the transfer.

(b) The terms of the proposed sale and purchase agreement shall not purport to transfer any intellectual property of Franchisor and shall not, in Franchisor's judgment, contain any terms or conditions that would damage the goodwill of the Reis & Irvy's brand or franchise system.

(c) The proposed transferee and each of its owners must be a United States citizen or lawfully able to live and own a business in the United States (or if transferee is an entity, domiciled in the United States) and, in Franchisor's opinion, must be sufficiently literate and fluent in the English language to communicate with Franchisor's employees, Location owners, and other suppliers and vendors, and satisfactorily complete Franchisor's required training program.

(d) The proposed transferee shall provide Franchisor with information sufficient for Franchisor to assess the proposed transferee's business experience, aptitude, and financial qualifications and Franchisor has approved the proposed transferee as a franchisee using Franchisor's then-current standards and qualifications for new franchisees.

(e) Franchisor shall have the discretion to disapprove any transfer if, in Franchisor's judgment, the sales price is too high or the terms of the sale so onerous that the proposed transferee would be unlikely to properly maintain, operate and promote the franchise business and meet the financial and other obligations owed to Franchisor, third party suppliers and creditors. This provision shall not create any liability of Franchisor to either Franchisee or the proposed transferee in the event that Franchisor approves the transfer and the transferee experiences financial difficulties.

(f) Franchisee, its Owners, and the proposed transferee will execute Franchisor's then-current form of conditional consent to transfer, which shall contain, among other things, a general release by Franchisee and its Owners of Franchisor and its respective current and former officers, shareholders, directors, members, managers, employees, agents, affiliates and representatives.

(g) Franchisee shall have obtained, at its or at the proposed transferee's expense, all requisite third party consents to the transfer.

(h) The proposed transferee shall sign Franchisor's then-current form of franchise agreement, the provisions of which may differ materially from any and all of those contained in this Agreement.

(i) Franchisee shall pay to Franchisor the transfer fee set forth on Exhibit B and bear all other out-of-pocket costs and expenses of the transfer, including any of Franchisee's attorneys' fees and costs associated with the transfer.

(j) The proposed transferee, or its owners or individuals designated to manage the day-to-day operations of the franchise business, shall attend and complete, to Franchisor's satisfaction, Franchisor's initial training program and pay Franchisor the associated fees related to the initial training program as may be set forth in Franchisor's then-current form of franchise agreement.

11.3 Right of First Refusal

Franchisee grants to Franchisor a thirty (30)-day right of first refusal to purchase such rights, interest, or assets on the same terms and conditions as Franchisee has offered to a proposed transferee; provided, however, the following additional terms and conditions shall apply: (a) the right of first refusal will be effective for each proposed transfer, and any material change in the terms or conditions of the proposed transfer shall be a separate offer for which Franchisor shall have a new thirty (30)-day right of first refusal; (b) the thirty (30)-day right of first refusal period will run concurrently with the period in which the Franchisor has to approve or disapprove the proposed transferee, (c) Franchisor shall not be required to perform obligations of the proposed transferee that are incidental to the transfer (e.g., employment agreements in favor of individuals, and brokers or finder's fees to be paid by the proposed transferee); and (d) if the purchase price to be paid by the proposed transferee includes consideration other than cash and notes, Franchisor may substitute for such other compensation cash in an amount equal to the fair market value thereof. Franchisor has the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Section.

11.4 Transfer by Franchisor

Franchisor shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity without the consent of Franchisee. With respect to any assignment which results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee shall expressly assume and agree to perform such obligations, and shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. In addition, Franchisee expressly affirms and agrees that Franchisor may sell its assets or the Reis & Irvy's franchise system, may assign its rights to the Marks, may sell its securities in a public offering or in a private placement, may merge, acquire other entities, or be acquired by another person or entity, including an entity which owns and or operates businesses which compete with Franchisee's franchise business, and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring, each and all without the consent of Franchisee.

11.5 Death or Incapacity of Franchisee

Upon Franchisee's death or incapacity during the term of this Agreement, or, if Franchisee is an entity, upon the death or incapacity of one (1) or more of Franchisee's Owners owning more than a fifty percent (50%) interest in Franchisee, the personal representative of such person shall have six (6) months from the date of death or incapacity to transfer and assign this Agreement to a third party acceptable to Franchisor in accordance with the provisions for transfer set forth in this Article 11.

12. TERM AND RENEWAL

12.1 Initial Term

The initial term of this Agreement shall be a period of ten (10) years from the Effective Date, unless sooner terminated in accordance with the provisions of this Agreement.

12.2 Renewal

At the end of the initial term, Franchisee shall have an option to renew its franchise rights for additional five (5)-year terms, subject to satisfaction of all of the following conditions:

(a) Franchisee shall pay the renewal fee set forth on Exhibit B on or before the expiration date of the initial term of this Agreement.

(b) Franchisee has complied with all provisions of this Agreement during the initial term, including the payment on a timely basis of all Robot Royalties and other fees and with all provisions of any other agreements between Franchisor and Franchisee.

(c) Franchisee is not in default or under notification of breach of this Agreement at the time it gives notice under Section.

(d) Franchisee and its Owners execute and deliver Franchisor's then-current form of renewal addendum, which will include a general release of any and all claims against Franchisor and its affiliates and their respective shareholders, partners, members, officers, directors, employees, agents and representatives.

(e) Franchisee signs Franchisor's then-current form of franchise agreement, which may contain terms and conditions materially different from those set forth in this Agreement, including terms changing fee amounts; provided Franchisee will not be required to pay a new initial franchise fee (although Franchisee will have to pay Franchisor the renewal fee set forth in Exhibit B).

12.3 Exercise of Renewal

(a) Franchisee may exercise its option to renew by giving written notice of such exercise to Franchisor not more than one (1) year nor less than one hundred eighty (180) days prior to the expiration of the initial term.

(b) If Franchisor is required by law to give notice to Franchisee prior to the expiration of the initial term or first renewal term, or is otherwise unable to have Franchisee execute Franchisor's then-current form of franchise agreement, this Agreement shall remain in effect on a month-to-month basis until Franchisor has given the required notice or is able to have Franchisee execute such then-current form of franchise agreement.

13 DEFAULT AND TERMINATION

13.1 Termination by Franchisee

Franchisee shall have the right to terminate this Agreement if Franchisor materially fails to comply with this Agreement and fails to cure its default within thirty (30) days after delivery of written notice of the default from Franchisee. Notwithstanding the foregoing, if the breach is curable but is of a nature that cannot reasonably be cured within such thirty (30)-day period and Franchisor has commenced and is continuing to make good faith efforts to cure the breach, Franchisor shall be given an additional reasonable period of time to cure breach and this Agreement shall not terminate. Any termination by Franchisee other than in accordance with this Section will be deemed a termination by Franchisee without cause.

13.2 Termination by Franchisor—Effective Upon Notice.

Franchisor shall have the right, at its option, to terminate this Agreement and all rights granted Franchisee under this Agreement, without affording Franchisee any opportunity to cure any default (subject to any state laws to the contrary, in which case state law shall prevail), effective upon delivery to Franchisee of a notice of termination, upon the occurrence of any of the following events:

(a) <u>Insolvency.</u> If Franchisee becomes insolvent or admits in writing Franchisee's inability to pay its debts as they mature, makes an assignment for the benefit of creditors, files a petition under any foreign, state or United States bankruptcy act, receivership statute, or similar act or statute, or if such a petition is filed by a third party, or if an application for a receiver is made by anyone and is not resolved favorably within ninety (90) days;

(b) <u>Material Misrepresentation.</u> If Franchisee has made any material misrepresentation or omission in connection with the acquisition or operation of the franchise business;

(c) <u>Criminal Conviction.</u> If Franchisee or any Franchisee Owner is convicted by a trial court of, or pleads no contest to, a felony, a crime involving moral turpitude, or any crime or offense reasonably likely, in the sole opinion of Franchisor to materially and unfavorably affect the Licensed Methods, Marks and associated goodwill and reputation of Franchisor, the Reis & Irvy's franchise system or Franchisee's franchise business;

(d) **Fraud or Conduct Which Adversely Impairs the Marks.** If Franchisee commits fraud in connection with the purchase or operation of franchise business or otherwise engages in conduct that, in the sole judgment of Franchisor, impairs or may impair the goodwill associated with the Marks or otherwise subject the Marks or the Reis & Irvy's franchise system to ridicule, scandal, reproach, scorn or indignity;

(e) **Unauthorized Transfer.** If Franchisee attempts to transfer, assign or encumber this Agreement or Franchisee's rights and/or obligations under this Agreement or, if Franchisee is an entity, any interest in Franchisee without complying with the terms and provisions of this Agreement;

(f) **Termination of Other Agreements.** If Franchisor issues a notice of termination with respect to any other agreement between Franchisor and Franchisee;

(g) **Unauthorized Disclosure.** If Franchisee or any person under Franchisee's control intentionally or negligently discloses to any unauthorized person, or copies or reproduces, the contents or any part of the Manual or any other trade secrets or confidential information of Franchisor or its affiliates;

(h) **Repeated Non-Compliance.** If Franchisee fails on two (2) or more separate occasions in any 12-month period to comply with the terms of this Agreement whether or not Franchisee corrects the failures after Franchisor's delivery of notice to Franchisee;

(i) **Failure to Make Payments.** If Franchisee fails to pay any amounts due to Franchisor or its affiliates, or to Location owners or Franchisee's suppliers or other creditors, within ten (10) days after written demand therefor;

(j) **Loss of Right to Operate Robots.** If Franchisee loses the right to operate the Robots because of the suspension, termination or interruption of any permit or other authorization required for the operation of the Robots (including access to Locations); provided, however, that Franchisor may waive this default if Franchisee diligently pursues, and is able to renew, any such permit or authorization within a reasonable period of time and Franchisor has agreed to manage the franchise business during such period as contemplated by Section 13.5;

(k) **Abandonment.** If Franchisee fails to adequately stock, service or operate any of its Robots in working order for a period of five (5) consecutive days. This provision shall not apply to any event of force majeure, defined as acts of God such as tornadoes, earthquake, hurricanes, floods, fire or other natural catastrophe, war, terrorist acts, riot or other civil disturbance, or other similar forces that Franchisee could not by the exercise of reasonable diligence have avoided ("force majeure") that prevents Franchisee from being able to adequately stock, service or operate its Robot; provided, however, that Franchisee's financial inability to perform shall not be deemed to be an event of force majeure;

(l) **Unauthorized Operations.** If Franchisee engages in any business or other activity that conflicts with Franchisee's obligations under this Agreement, including providing frozen confectionary vending services at any location that is not an Approved Location;

(m) **Underreporting of Amounts Due.** If Franchisee understates any payment due to Franchisor by two percent (2%) or more, or understates any payment due to Franchisor in any amount two (2) times in any two (2)-year period;

(n) **Preventing Franchisor from Obtaining Robot Data.** If Franchisee or any of Franchisee's Owners, employees or representatives disconnects or otherwise disables any Robot or takes any other action that prevents or prohibits Franchisor from maintaining direct and uninterrupted access to the Robot or obtaining Robot Data;

(o) **Proof of Insurance.** If Franchisee fails to provide Franchisor with certificates evidencing the insurance coverage required by this Agreement within five (5) days after Franchisor's written demand therefor;

(p) **Failure to Notify of Change of Address.** If Franchisee fails to provide Franchisor with written notice of any change of Franchisee's contact information within five (5) days of any such change, or fails to respond to any written request for such information from Franchisor within the time period requested by Franchisor;

(q) **Unsafe or Unsanitary Conditions.** If Franchisee violates any health, safety or sanitation law, ordinance or regulation, fails any health department inspection or operates any Robot in a manner that presents a health or safety hazard to the public; or

(r) **Non-Curable Default.** If Franchisee defaults in any obligation under this Agreement or any other agreement between Franchisor and Franchisee that is not by its nature capable of being cured by Franchisee.

13.3 Termination by Franchisor—Thirty Days' Notice

Franchisor shall have the right to terminate this Agreement (subject to any state laws to the contrary, in which case state law shall prevail), effective upon delivery of thirty (30) days' prior written notice to Franchisee, if Franchisee breaches any other provision of this Agreement, including if Franchisee fails to comply with the Manual, and fails to cure the default during such thirty (30)-day period. Notwithstanding the foregoing, if the breach is curable but cannot reasonably be cured within such thirty (30)-day period and Franchisee has undertaken good faith diligent efforts to comply and to furnish proof acceptable to Franchisor, then Franchisee shall be given an additional reasonable period of time to cure the breach and this Agreement will not terminate; provided, however, that in no event shall Franchisee's cure period exceed a total of sixty (60) days after delivery of the original written notice of default.

13.4 No Waiver

The description of any default under this Agreement in any notice provided to Franchisee shall in no way preclude Franchisor from specifying additional or supplemental defaults in any action, suit or proceeding relating to this Agreement or the termination of this Agreement.

13.5 Management of Locations by Franchisor

If Franchisor issues a notice of default, Franchisor shall have the right (but not the obligation) to manage Franchisee's Locations until Franchisee cures all defaults to Franchisor's satisfaction. In the event Franchisor manages Franchisee's Location, Franchisee will pay Franchisor the management fee set forth on Exhibit B and Franchisor shall also bear the costs of inventory during any such period of Franchisor management. Franchisor's operation of Franchisee's Locations shall be on Franchisee's behalf and Franchisor shall have only a duty to use reasonable efforts and shall not be liable to any creditor of Franchisee or for any obligations incurred at any Location during such period of Franchisor management or otherwise.

13.6 Default Fee; Right to Stop Supplying Products Upon Default

In the event Franchisor notifies Franchisee in writing that Franchisee is in default under this Agreement, and such default remains uncured following Franchisee's receipt of Franchisor's notice of such default, Franchisee shall pay Franchisor a default fee of $200 immediately upon expiration of any applicable cure period set forth in the applicable notice of default. Franchisor shall also have the right upon the issuance of a notice of default to notify all suppliers that the suppliers may stop selling Products and providing services to Franchisee until Franchisee has cured all defaults.

13.7 Default Prior to Robot Installation

Franchisee acknowledges and agrees that if Franchisee commits a default under this Agreement prior to the installation of any Robots and Franchisee fails to cure any such default within the applicable cure period, Franchisor shall have the right, in its discretion, to terminate this Agreement and to retain any funds paid by Franchisee to Franchisor as of the date of termination of this Agreement and Franchisee shall not be entitled to receive any refund of any such funds.

13.8 No Election of Remedies

Franchisor's rights and remedies set forth in this Article 13 are in addition to, and not in limitation of, any other rights and remedies Franchisor may have at law or in equity, all of which Franchisor hereby expressly reserves and Franchisor's exercise of any particular right or remedy shall not be deemed an election of remedies.

13.9 Franchisee Obligations Upon Termination or Expiration

Franchisee is obligated upon termination or expiration of this Agreement to immediately:

(a) Pay Franchisor all amounts due under this Agreement or otherwise;

(b) Remove all Marks from the Robots and Franchisee's vehicle and other property (whether in the form of decals, graphics, signs or other indicia) and return to Franchisor all materials containing any Marks or otherwise identifying or relating to the franchise business;

(c) Not directly or indirectly at any time or in any manner identify Franchisee, Franchisee's Owner or any business with which Franchisee or its Owner is affiliated, as a current or former franchisee or licensee of Franchisor, or as otherwise associated with Franchisor, or use any license issued to Franchisee or any Mark, any imitation thereof or other indicia in any manner or for any purpose, or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with Franchisor;

(d) Take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to Franchisee's use of any Marks;

(e) Comply with any post-termination or post-expiration requirements set forth in this Agreement or the Manual;

(f) Cease to use any item associated with the Reis & Irvy's franchise system, the Marks or the Licensed Methods in any business or otherwise and return to Franchisor (at Franchisee's expense) the Manual and any other confidential materials which have been loaned to Franchisee, including copies of, or any component thereof, in any form;

(g) Remove all Products from all of Franchisee's Robots; and

(h) If applicable, (i) cease using or operating any Online Presence related to Franchisee's Reis & Irvy's business or the Marks, and (ii) take any action as may be required to disable such Online Presence, or transfer exclusive control and access of such Online Presence to Franchisor, as Franchisor determines in its sole discretion.

14 CONFIDENTIALITY; NON-COMPETITION

14.1 Confidentiality

Franchisee shall treat, and shall ensure that its Owners, employees and representatives treat, all information Franchisee receives which comprises the Licensed Methods (including, without limitation, the Manual) as proprietary and confidential and not use such information in an unauthorized manner or disclose the same to any unauthorized person. Franchisee agrees that such material is the sole property of Franchisor and its affiliates. Franchisee acknowledges that the Marks and the Licensed Methods have valuable goodwill attached to them, that their protection and maintenance are essential to Franchisor, and that any unauthorized use or disclosure of the Marks and Licensed Methods will result in irreparable harm to Franchisor and Licensor. All ideas, concepts, techniques, or materials concerning Robots and the franchise business, whether or not protectable intellectual property and whether or not created by or for Franchisee or its Owners, employees or representatives, must be promptly disclosed to Franchisor and will be Franchisor's sole and exclusive property, part of the Reis & Irvy's franchise system, and works made-for-hire for Franchisor. To the extent an item does not qualify as a "work made-for-hire" for Franchisor, Franchisee assigns ownership of, and all related right to, that item to Franchisor, and Franchisee agrees to execute whatever assignment or other documents Franchisor requests to reflect Franchisor's ownership of, or to help Franchisor obtain intellectual property rights in, the item.

Franchisor reserves the right to require that any employee, agent, or independent contractor that Franchisee hires executes a non-disclosure and non-competition agreement to protect the information Franchisee receives which comprises the Licensed Methods (including, without limitation, the Manual). Franchisor reserves the right to regulate the form of non-disclosure and non-competition agreement that Franchisee uses and to be a third-party beneficiary of those agreements with independent enforcement rights. Franchisee acknowledges that any form of non-disclosure and non-competition agreement that Franchisor requires Franchisee to use, provides to Franchisee, or regulates the terms of, may or may not be enforceable in a particular jurisdiction. Franchisee agrees that Franchisee is solely responsible for obtaining its own professional advice with respect to the adequacy of the terms and provisions of any confidentiality and non-compete agreement that Franchisee's employees, agents and independent contractors sign.

14.2 Non-Compete during Term

During the term of this Agreement, neither Franchisee nor any of Franchisee's Owners shall engage in any business or other activity that involves any machines that are substantially similar to Robots.

14.3 Post-Termination Non-Compete

(a) Franchisee specifically acknowledges and agrees that in accordance with the terms of this Agreement, Franchisee will, as a result of becoming a franchisee in the Reis & Irvy's franchise system and operating Franchisee's franchise business, Franchisee will receive valuable specialized training and Franchisor's confidential information regarding the Marks, the Licensed Methods, and other operational, sales, promotional, and marketing methods and techniques for the operation of Robots , Franchisor and the Reis & Irvy's franchise system. In addition, Franchisee specifically acknowledges and agrees that prior to becoming a Reis & Irvy's franchisee, Franchisee had no experience, information or knowledge whatsoever about the operation of Robots, machines substantially similar to Robots, or the franchise business and that Franchisee's knowledge of the Marks, the Licensed Methods, and the Reis & Irvy's franchise system was obtained solely from Franchisor. Therefore, for a period of one (1) year from the later of (i) the effective date of termination or expiration of this Agreement for any reason, or (ii) the date on which Franchisee and its Owners begin to comply with this Section, Franchisee and its Owners will not, without Franchisor's prior written consent, either directly or indirectly, for itself or themselves, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with any business that provides frozen confectionary vending services at any site within 25 miles of any Location ("Competing Business").

(b) In the event Franchisee breaches the provisions of this Section 14.3, in addition to all other remedies available to Franchisor, Franchisee shall pay Franchisor, throughout the one-year non-compete period, five percent (5%) of the gross revenue of any Competing Business. Franchisee shall pay such amounts to Franchisor on the fifteenth (15th) day of each month on account of the gross revenue in the prior month. Franchisor shall have the right, upon reasonable prior notice to Franchisee, to audit the books and records of the Competing Business to confirm Franchisee's compliance with this Section.

15 INDEMNIFICATION

15.1 Indemnification of Franchisor

Franchisee agrees to indemnify, defend and hold harmless Franchisor and its affiliates, and their respective shareholders, partners, members, directors, officers, employees, representatives and agents (collectively the "Franchisor Indemnified Parties"), from and against, and to reimburse them for, all claims, obligations and damages described in this Section 15.1 arising directly or indirectly from, as a result of, or in connection with, (a) Franchisee's breach of any of the terms or provisions of this Agreement, (b) Franchisee's operation of the franchise business, including any actions taken by Franchisee or its Owners, employees or other persons under Franchisee's control, the operation and maintenance of the Robots or Franchisee's vehicle used in the franchise business, or (c) the misuse of the Marks or Licensed Methods in any manner, including, without limitation, those alleged to be or found to have been caused by any Franchisor Indemnified Party's negligence, unless (and then only to the extent that) the claims and liabilities are determined to be caused solely by the Franchisor Indemnified Party's intentional misconduct in a final, un-appealable issued by a court or arbitrator with competent jurisdiction. For purposes of this indemnification, claims shall mean and include all obligations, actual and consequential damages, and costs reasonably incurred in the defense of any claim against the Franchisor Indemnified Parties, including, without limitation, reasonable accountants' attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses. Each Franchisor Indemnified Party shall have the right to defend any such claim against it at Franchisee's expense and to agree to settlements or take any other remedial, corrective, or other actions. Any assumption by Franchisor shall not modify Franchisee's indemnification obligations. Franchisee's indemnification obligations set forth in this Section shall continue in full force and effect subsequent to and notwithstanding the expiration, termination, or non-renewal of this Agreement.

15.2 Indemnification of Franchisee

Franchisor shall indemnify and hold harmless Franchisee and its shareholders, partners, members, directors, officers, employees, representatives and agents (collectively the "Franchisee Indemnified Parties") from and against, and to reimburse them for, all claims, obligations and damages described in this Section 15.2 arising directly or indirectly from, as a result of, or in connection with (a) any claims against Franchisee that Franchisee's use of the Marks infringes on any third party's alleged trademark, or (b) Franchisor's breach of any of its obligations under this Agreement, except that this indemnity shall not extend to any liability resulting from Franchisee's negligence or willful misconduct. For purposes of this indemnification, claims shall mean and include all obligations, actual and consequential damages, and costs reasonably incurred in the defense of any claim against the Franchisee Indemnified Parties, including, without limitation, reasonable accountants' attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses. Franchisee shall provide Franchisor with prompt written notice of any claim for indemnification hereunder.

16 DISPUTE RESOLUTION

16.1 Choice of Law

This Agreement shall be interpreted and construed under the laws of the state of California. In the event of any conflict of law, the laws of the state of California shall prevail, without regard to the application of California conflict of law rules, except that any state law regulating the sale of franchises or governing the relationship of a Franchisor and its franchisees will not apply unless its jurisdictional requirements are met independently without reference to this paragraph. If, however, any provision of this Agreement would not be enforceable under the laws of the state of California, and if the franchise business is located outside of California and such provisions would be enforceable under the laws of the state in which the franchise business is located, then such provision shall be interpreted and construed under the laws of that state.

16.2 Venue

Subject to the provisions of Section 16.4, the parties agree that any action brought by either party against the other in any federal or state court shall be brought within the county in which Franchisor has its principal place of business at the time the action is initiated (currently, San Diego County, California), and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

16.3 Non-Exclusivity of Remedy

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be or is exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

16.4 Mediation

Before either party may initiate any action regarding any dispute, claim or controversy arising out of or relating to this Agreement, or the breach, termination, enforcement, interpretation or validity thereof, or any dispute, claim or controversy arising out of or relating to any non-exclusive right or remedy a party believes it has, the parties must first attempt to resolve the dispute through mediation conducted in accordance with the Commercial Mediation Procedures of the American Arbitration Association, or such other rules as the parties may mutually agree. Mediation shall be conducted in the state and county in which Franchisor has its principal place of business at the time of the mediation (currently, San Diego County, California), and shall be conducted and completed within ninety (90) days following the date either party first gives notice of mediation unless otherwise agreed in writing by the parties. The parties will share equally the fees and costs of the mediator. The mediator shall be disqualified as a witness, expert or counsel for either party with respect to the dispute and any related matter. Mediation is a compromise negotiation and shall constitute privileged communications under California and other applicable laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties shall not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. If a party fails to reasonably cooperate in scheduling and completing a mediation within ninety (90) days after giving or receiving notice thereof, such party shall be precluded from and not entitled to recover costs, expenses, and/or prevailing attorneys' fees in any subsequent legal proceeding. Despite the parties' agreement to mediate, the parties each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that the parties must contemporaneously submit the dispute, controversy or claim for mediation as provided in this Section.

16.5 Limitation of Adjudicative Proceedings

(a) THE PARTIES 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, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

(b) Any dispute, claim or controversy arising out of or relating to this Agreement, the relationship of Franchisor and Franchisee, Franchisee's operation of the franchise business, or any dispute, claim or controversy arising out of or relating to any non-exclusive right or remedy a party believes it has (collectively, "Claims"), shall be commenced within one (1) year from the occurrence of the facts giving rise to such Claims, or such Claims shall be barred.

(c) The parties hereby waive to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other and agree that any dispute between them each shall be limited to the recovery of any actual damages sustained by the party. Franchisee agrees not to bring any claim asserting that any of the Marks are generic or otherwise invalid.

(d) Franchisee agrees that the members, managers, shareholders, directors, officers, employees, and agents of Franchisor and its affiliates shall not be personally liable nor named as a party in any action between Franchisor and Franchisee.

(e) Franchisor and Franchisee agree that, in connection with any such proceeding regarding Claims, each must submit or file any claim that would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim that is not submitted or filed as described above will be forever barred.

(f) The parties agree that any proceeding regarding Claims will be conducted on an individual, not a class-wide, basis. The parties waive to the maximum extent permitted by law the right to bring, maintain, or participate in any class, collective, or representative proceeding. Further, any Claims must be brought in the individual capacity of the party asserting the claim, and cannot be maintained on a class, collective, or representative basis, to the full extent permitted by applicable law.

(g) The parties agree that a proceeding between Franchisor and Franchisee may not be consolidated with another proceeding between Franchisor and any other person or entity, nor may any claims of another party or parties be joined with any claims asserted in any action or proceeding between Franchisor and Franchisee.

(h) No previous course of dealing shall be admissible to explain, modify, or contradict the terms of this Agreement.

(i) No implied covenant of good faith and fair dealing shall be used to alter the express terms of this Agreement.

16.6 Injunctive Relief

Nothing in this Agreement bars Franchisor's right to obtain specific performance of the provisions of this Agreement and injunctive relief against conduct that threatens to injure or harm Franchisor, the Marks or the franchise system, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. Franchisee agrees that Franchisor may obtain such injunctive relief and will not be required to post a bond to obtain injunctive relief and that Franchisee's only remedy if an injunction is entered against Franchisee will be the dissolution of that injunction, if warranted, upon due hearing, and Franchisee hereby expressly waives any claim for damages caused by such injunction.

17 MISCELLANEOUS PROVISIONS

17.1 Franchisor's Right to Cure Franchisee Defaults

In addition to all other remedies granted to Franchisor, if Franchisee is in default of any of its obligations under, or in breach of any term or condition of this Agreement or any other agreement between Franchisor and Franchisee, Franchisor may, at its election, immediately or at any time thereafter, without waiving any claim for default or breach hereunder and without notice to Franchisee, cure the default or breach for the account and on behalf of Franchisee, and any costs incurred by Franchisor shall be due and payable on demand, shall be deemed to be additional compensation due to Franchisor under this Agreement, and shall be added to the next payment of fees that becomes due to Franchisor, at the election of Franchisor.

17.2 Non-Disparagement

During the term of this Agreement and following expiration or termination of this Agreement for any reason, Franchisee and Owners agree not to, and to use their best efforts to cause their respective current and former owners, agents, principals, officers, directors, shareholders, members, partners, employees, representatives, attorneys, spouses, parent companies, predecessors, affiliates, subsidiaries, successors and assigns not to, disparage, impugn or otherwise speak or write negatively, directly or indirectly, of Franchisor or Franchisor's current and former owners, agents, principals, officers, directors, shareholders, members, partners, employees, representatives, attorneys, spouses, parent companies, predecessors, affiliates, subsidiaries, successors and assigns, the Reis & Irvy's brand, the Reis & Irvy's franchise system, or any other service-marked or trademarked concept of Franchisor or its affiliates, or take any other action which would subject the Reis & Irvy's brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of Franchisor, its affiliates, or the Reis & Irvy's brand.

17.3 Grammar, Headings, Exhibits and Construction

The masculine of any pronoun shall include the feminine and the neuter thereof, and the singular of any noun or pronoun shall include the plural, or vice versa, wherever the context requires. Article and Section headings are for convenience of reference only and shall not be construed as part of this Agreement nor shall they limit or define the meaning of any provision of this Agreement. The Recitals included in this Agreement and the terms of all Exhibits attached to this Agreement are incorporated into this Agreement by reference. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. Each of the parties has reviewed this Agreement and it shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties. The parties intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

17.4 Non-Waiver

No failure by either party to take action on account of any breach or default under this Agreement, whether in a single instance or repeatedly, and no course of dealing of the parties or Franchisor's dealings with other franchisees in variance with the terms hereof constitutes a waiver of any breach or default of the performance of a party's performance under this Agreement. No express waiver by either party of any term or provision of this Agreement or performance under this Agreement, or of any breach or default under this Agreement shall constitute a waiver of any other or future term or provision, performance or breach or default. No waiver or extension of time shall be effective unless expressly contained in a writing signed by the parties. Franchisor may in its discretion elect from time to time to waive obligations of Franchisee under this Agreement upon such terms and conditions as Franchisor may, in its discretion, set forth in such waiver. No acceptance of performance or payments from Franchisee shall be deemed to be a waiver by Franchisor of any preceding or succeeding breach by Franchisee of any terms or conditions of this Agreement. No mediation shall delay, suspend, or prevent either party from exercising its right to terminate this Agreement at the time and in the manner set forth in Article 13.

17.5 Survival

All of Franchisor's and Franchisee's and its Owners' obligations that expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire (including, without limitation, the post-termination non-compete covenant, dispute resolution, and notice and confidentiality provisions).

17.6 No Right to Set-off

Franchisee shall not be entitled to set-off any payments due to Franchisor under this Agreement against any monetary claim Franchisee may believe it has against Franchisor.

17.7 Invalidity and Severability

If any provision of this Agreement is determined to be invalid or unenforceable, either in its entirety or by virtue of its scope or application to given circumstances, such provision shall be deemed modified to the extent necessary to render the same valid, or as not applicable to the given circumstances, or to be excised from this Agreement, as the situation may require, and this Agreement shall be construed and enforced as if such provision had been included in this Agreement as so modified in scope or application, or had not been included in this Agreement, as the case may be, it being the stated intention of the parties that had they known of such invalidity or unenforceability at the time of entering into this Agreement, they would have nevertheless contracted upon the terms contained in this Agreement, either excluding such provisions, or including such provisions only to the maximum scope and application permitted by law, as the case may be.

17.8 Notice

All notices under this Agreement shall be in writing and shall be delivered in person, by express mail, by certified mail, by overnight delivery or by electronic transmission. Delivery shall be deemed conclusively made: (a) at the time of delivery, if personally delivered, (b) twenty-four (24) hours (exclusive of weekends and national holidays) after deposit in the United States mail, properly addressed and postage prepaid, if delivered by express mail, (c) upon the earlier of actual receipt or three (3) calendar days after deposit in the United States mail, properly addressed and postage prepaid, return receipt requested, if delivered by certified mail, (d) twenty-four (24) hours after delivery if by private overnight delivery, and (e) one (1) business day after electronic transmission (with confirmation copy sent by regular United States mail).

Any notice or demand to Franchisor shall be given to:

REIS & IRVY'S, INC.
2620 Financial Court, Suite 100
San Diego, California 92117
Fax: 858-210-4258
Attn: Legal Department

Any notice to Franchisee shall be sent to the address appearing on Exhibit C, unless and until a different address has been designated by written notice to Franchisor, which in no event shall be later that ten (10) days from the date of any such change. Either party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other party.

17.9 Entire Agreement

This Agreement and Exhibits to this Agreement, any documents executed contemporaneously herewith which expressly reference this Agreement, and any documents referred to in this Agreement constitute and contain the entire Agreement and understanding of the parties with respect to the subject matter hereof. There are no representations, undertakings, agreements, terms, or conditions not contained or referred to in this Agreement. No officer, employee, representative or agent of Franchisor has any authority to make any representation or promise not contained in this Agreement or in any franchise disclosure document for prospective franchisees required by law, and Franchisee agrees that it has executed this Agreement without reliance upon any such representation or promise. This Agreement supersedes and extinguishes any prior written agreement between the parties relating to the subject matter hereof, provided that it shall not abrogate, impair, release or extinguish any debt, obligation or liability otherwise existing between the parties. This Agreement may not be modified or amended except in a writing signed by both parties. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim representations made by Franchisor in its franchise disclosure document.

17.10 Relationship of Parties

Nothing contained in this Agreement shall be deemed or construed to create the relationship of principal and agent, partnership, joint venture or employment, or a fiduciary relationship, and Franchisee shall not hold itself out as an agent, legal representative, partner, subsidiary, joint venturer, servant or employee of Franchisor or any affiliate of Franchisor. With respect to all matters pertaining to the operation of the franchise business, Franchisee is, and shall be, an independent contractor. Neither Franchisor nor Franchisee has the right to bind or obligate the other to any obligations or debts. Franchisee is the independent owner of the franchise business, shall be in full control thereof, and shall conduct such business in accordance with its own judgment and discretion, subject only to the provisions of this Agreement. Franchisee shall conspicuously identify itself as the independent owner of its business and as a franchisee of Franchisor. Neither party hereto shall be obligated by, or have any liability for, any agreements, representations or warranties made by the other party nor shall Franchisor be liable for any damages to any person or property, directly or indirectly, arising out of the operation of the franchise business, whether caused by Franchisee's negligent or willful action or failure to act.

Franchisee also acknowledges that, because Licensor is the owner of the Marks, Franchisee and Franchisor agree that Licensor will be a third-party beneficiary of those provisions in this Agreement relating to usage of the Marks, with the independent right to enforce such provisions against Franchisee and to seek damages from Franchisee for Franchisee's failure to comply with those provisions.

17.11 Compliance with Applicable Law

If any applicable law of any jurisdiction requires a greater prior notice of the termination of, or refusal to renew, this Agreement than is required under this Agreement, the prior notice or other action required by such applicable law shall be substituted for the notice or other requirements hereof. Such modifications to this Agreement shall be effective only in such jurisdiction and shall be enforced as originally made and entered into in all other jurisdictions. Franchisor reserves the right to challenge the applicability of any such law.

17.12 Entity Franchisees

If Franchisee is an entity, it shall, except as otherwise approved in writing by Franchisor: (a) confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the franchise business, (b) furnish Franchisor with its governing documents (e.g., articles of organization or formation or operating agreement) as well as such other documents as Franchisor may reasonably request, and any amendments thereto, (c) maintain stop transfer instructions against the transfer of any equity or other ownership interests, (d) maintain a current list of all Owners of record of Franchisee and furnish the list to Franchisor upon request, (e) complete and deliver to Franchisor the information concerning the entity required by Exhibit C, and (f) notify Franchisor in writing within ten (10) days of any change in the information contained in Exhibit C, including any change of Franchisee's address or other contact information.

17.13 Approvals, Consents and Guarantees

If Franchisee is an entity, Franchisor shall not be bound unless all Owners of Franchisee have read and approved this Agreement and agree that any restrictions applicable to Franchisee shall also apply to each of them individually and collectively (including the prohibition on their ability to transfer their interests in Franchisee) and further agree, if Franchisor so requires, to personally, jointly and severally, guarantee the performance of Franchisee under the terms of this Agreement by executing the form of Guarantee set forth in Exhibit D. Franchisor shall not be bound unless and until an authorized officer of Franchisee signs this Agreement.

17.14 Exclusive Remedy

In no event shall Franchisee make any claim for money damages based on any claim or assertion that Franchisor has unreasonably withheld or delayed any consent or approval under this Agreement. Franchisee waives any such claim for damages. Franchisee may not claim any such damages by way of setoff, counterclaim or defense. Franchisee's sole remedy for any claim will be an action or proceeding to enforce the provisions of this Agreement, for specific performance or for declaratory judgment.

17.15 Counterparts and Electronic Copies

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Signatures transmitted electronically or by facsimile will be deemed original signatures. Electronic copies of this Agreement shall constitute and be deemed an original copy of this Agreement for all purposes, provided that such electronic copies are fully executed, dated and identical in form to the original hard copy version of this Agreement.

17.16 Acknowledgements

Franchisee and each of its Owners, jointly and severally, acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply with and be bound by this Agreement. Franchisor expressly disclaims making, and Franchisee and its Owners acknowledge and agree that they have not received or relied on, any warranty or guarantee, express or implied, as to the potential volume, profits, expenses, or success of the franchise business. Franchisee and its Owners further acknowledge and agree that Franchisee has conducted an independent investigation of the franchise business, Franchisor, and the Reis & Irvy's franchise system and recognizes that the franchise business involves business risks and that its success will be largely dependent upon the ability of Franchisee and if its Owners as independent businesspersons. Franchisee acknowledges that Franchisee and its Owners have read and understood this Agreement and the Exhibits to this Agreement and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

17.17 Franchise Disclosure Document

Franchisee acknowledges that Franchisee and its Owners received a copy of the Reis & Irvy's franchise disclosure document, which contains a copy of this Agreement, at least fourteen (14) calendar days before the Effective Date. Franchisee and its Owners further acknowledge and agree that Franchisor has made no promises, representations, warranties or assurances to Franchisee which are inconsistent with the terms of this Agreement or Franchisor's franchise disclosure document, concerning the profitability or likelihood of success of the franchise business, that Franchisee and its Owners have been informed by Franchisor that there can be no guarantee of success of the franchise business and that the business ability and aptitude of Franchisee and its Owners is primary in determining Franchisee's success.

17.18 Atypical Terms

Franchisee and its Owners acknowledge and agree that Franchisor may modify the offer of its franchises to other franchisees in any manner and at any time, which offers have or may have terms, conditions, and obligations that may differ from the terms, conditions and obligations contained in this Agreement. Franchisee and its Owners further acknowledge and agree that Franchisor has made no warranty or representation that all franchise agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements previously executed or executed after the Effective Date with other franchisees in a non-uniform manner.

17.19 Anti-Terrorism Laws

Franchisee shall comply with, and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with 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 any other requirements of any government authority addressing or in any way relating to terrorist acts and acts of war ("Anti-Terrorism Laws"). Franchisee and its Owners certify, represent and warrant that none of their property or interests is subject to a "block" under any of the Anti-Terrorism Laws and that neither Franchisee nor its Owners are otherwise in violation of the Anti-Terrorism Laws. Any violation of the Anti-Terrorism Laws by Franchisee or Franchisee's Owners, shareholders, members, directors, officers, employees or any "blocking" of Franchisee's assets under the Anti-Terrorism Laws constitute grounds for immediate termination of this Agreement and any other agreements Franchisee has entered into with Franchisor or any of its affiliates. Franchisee shall notify Franchisor by telephone within twenty-four (24) hours, and confirm in writing within two (2) days after receiving notice of an investigation or violation of any Anti-Terrorism Laws, and notify Franchisor in writing within three (3) days of the commencement of any other litigation or proceeding which may adversely affect the operation or financial condition of the franchise business.

(Signature page to Franchise Agreement follows)

IN WITNESS WHEREOF, the parties have executed this Agreement as of Effective Date stated below.

REIS & IRVY'S, INC.

By:______________________________
Its:______________________________
*Date: ____________________________
*Effective Date of Franchise Agreement

FRANCHISEE:

____
____

[_] an individual;
[_] a general partnership;
[_] a limited partnership;
[_] a limited liability company;
[_] a corporation

By:______________________________
Its:______________________________

[Signature Page to Franchise Agreement]

EXHIBIT A

TO FRANCHISE AGREEMENT

TERRITORY; NUMBER OF ROBOTS

TERRITORY:

____

____

____

____

ROBOTS:

[   ] REIS & IRVY'S ROBOTS

REIS & IRVY'S, INC.

By:______________________________

Its:______________________________

FRANCHISEE:

____

____

[_   ] an individual;
[_   ] a general partnership;
[_   ] a limited partnership;
[_   ] a limited liability company;
[_   ] a corporation

By:______________________________

Its:______________________________

EXHIBIT-B
TO FRANCHISE AGREEMENT

FEES AND CHARGES

TYPE OF FEE OR CHARGE*	AMOUNT
Initial Franchise Fee	$5,000 per Robot
Purchase Price per Robot (new franchise; must purchase 2, 3, 6, 9, 12, or ~~12~~ 20 Robots)	1. If purchasing 2 Robots, $52,500 per Robot (plus applicable sales tax ~~1.~~2. If purchasing 3 Robots, $50,000 per Robot (plus applicable sales tax). ~~2.~~3. If purchasing 6 Robots, $47,500 per Robot (plus applicable sales tax). ~~3.~~4. If purchasing 9 Robots, $45,000 per Robot (plus applicable sales tax). 5. If purchasing 12 Robots, $42,500 per Robot (plus applicable sales tax~~).~~) ~~4.~~6. If purchasing 20 Robots, $40,000 per Robot (plus applicable sales tax)
Purchase Price for additional Robots	Purchase price for each Robot will be the then-current purchase price being charged for new franchises; however Franchisee will be entitled to any then-applicable discounts for each additional Robot (in the aggregate) that Franchisee is purchasing above a given 3-Robot tier.
Purchase Price for Flavor Burst	$2,000 per each (plus applicable sales tax)
Cleaning Cart	$4250 per each (plus applicable sales tax)
Location Procurement Fee	$2,500 per Robot (subject to credit, if applicable)
Location Rejection Fee	$1,250 per Robot
Robot Royalties	12% of Monthly Gross Revenue per Robot
Remote Monitoring Fee	Currently $7.95 per month, per Robot, but subject to increase in Franchisor's discretion
Initial Training Program Fee (for attendees in excess of two)	Currently, $250 per person per day
Remedial Training Fee	Currently, $1,000 per person per day
Additional Training Fee	Currently, $250 per person per day
Relocation Fee	$2,500 per Robot paid at time of relocation request (does not include shipping/freight)

Franchisee Conference Fee	$500 per person
Default Fee	$200
Custom Design Fee	Currently, $150 per hour
Download Preparation Fee	Currently, $150 per hour
Renewal Fee	$5,000
Management Fee	$99 per Robot per day
Manual Replacement Fee	$100
~~TYPE OF FEE OR CHARGE*~~	~~AMOUNT~~
Service Fee	$150 per hour
Transfer Fee	$2,500 per Robot
Interest and late charges on overdue payments	Interest on those amounts from the date payment was due until paid, at the greater of ten percent (10%) per annum, calculated monthly, or at the maximum interest rate permitted by law and (b) a late penalty fee of five percent (5%) of the overdue amount payable within 30 days of the date it became late

*All fees are nonrefundable unless described otherwise in the Franchise Agreement.

REIS & IRVY'S, INC.

By:______________________________
Its:______________________________

FRANCHISEE:

____
____

[_] an individual;
[_] a general partnership;
[_] a limited partnership;
[_] a limited liability company;
[_] a corporation

By:______________________________
Its:______________________________

EXHIBIT C

TO FRANCHISE AGREEMENT

FRANCHISEE INFORMATION

Notice Address

Franchisee's physical address for purposes of the Notice provisions of the Franchise Agreement (CANNOT BE A POST OFFICE BOX ADDRESS) is:

Name:
EMAIL ADDRESS:
CONTACT PHONE NUMBER:
ADDRESS:

If Franchisee is an Entity

If Franchisee is an entity, Franchisee represents and warrants that the following information is accurate and complete in all material respects:

(1) Franchisee is a: [ ] corporation [ ] limited liability company [ ] general partnership [ ] limited partnership [ ] Other (specify):_______________

(2) Franchisee shall provide to Franchisor concurrently with the completion and execution hereof true and accurate copies of its articles of organization or formation and such other documents as Franchisor may reasonable request.

(3) The name and address of each person who has an ownership interest in Franchisee and his or her percentage ownership interest in Franchisee are:

OWNER NAME	ADDRESS	PERCENTAGE INTEREST

(4) The names, addresses and titles of Franchisee's Owners who will be devoting their full time to the franchise business:

NAME	ADDRESS	TITLE

REIS & IRVY'S, INC.

By:______________________________
Its:______________________________

FRANCHISEE:

____
____

[_] an individual;
[_] a general partnership;
[_] a limited partnership;
[_] a limited liability company;
[_] a corporation

By:______________________________
Its:______________________________

[Signature page to Exhibit C]

EXHIBIT D

TO FRANCHISE AGREEMENT

GUARANTEE

As an inducement to REIS & IRVY'S, INC., a Nevada corporation ("Franchisor") to execute the Franchise Agreement with______________________("Franchisee") dated , 20__, and in consideration of Franchisor executing the Franchise Agreement, the following guarantors ("Guarantors"), jointly and severally, agree as follows:

1. Guarantors shall pay or cause to be paid to Franchisor all monies payable by Franchisee under the Franchise Agreement on the date and in the manner required for payment.

2. Guarantors unconditionally guarantee full performance and discharge by Franchisee of all of the obligations of Franchisee under the Franchise Agreement on the date and in the manner required.

3. Guarantors shall indemnify and save harmless Franchisor, and each of their respective shareholders, directors, employees, affiliates and agents (collectively "Indemnitees") against and from all losses, damages, costs, and expenses which the Indemnitees may sustain, incur, or become liable for by reason of the failure for any reason whatsoever of Franchisee to pay the monies payable pursuant to the Franchise Agreement or to do and perform any other act, matter or thing required by the Franchise Agreement, and any act, action, or proceeding of or by Franchisor for or in connection with the recovery of monies or the obtaining of performance by Franchisee of any other act, matter or thing required by the Franchise Agreement

4. Franchisor shall not be obligated to proceed against Franchisee or exhaust any security from Franchisee or pursue or exhaust any remedy, including any legal or equitable relief against Franchisee, before proceeding to enforce the obligations of the Guarantors, and the enforcement of such obligations may take place before, after, or contemporaneously with, enforcement of any debt or obligation of Franchisee under the Franchise Agreement.

5. Without affecting the Guarantors' obligations under this Guaranty, Franchisor, without notice to the Guarantors, may extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. Guarantors waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

6. Guarantors' obligations under this Agreement shall remain in full force and effect, and shall be unaffected by: (a) the unenforceability of the Franchise Agreement against Franchisee, (b) the termination of any obligations of Franchisee under the Franchise Agreement by operation of law or otherwise, (c) the bankruptcy, insolvency, dissolution, or other liquidation of Franchisee, including, without limitation, any surrender or disclaimer of the Franchise Agreement by the trustee in bankruptcy of Franchisee, (d) Franchisor's consent or acquiescence to any bankruptcy, receivership, insolvency, or any other creditor's proceedings of or against Franchisee, or by the winding-up or dissolution of Franchisee, or any other event or occurrence

which would have the effect at law of terminating the existence of Franchisee's obligations before the termination of the Franchise Agreement, or (e) by any other agreements or other dealings between the Parties having the effect of amending or altering the Franchise Agreement or Franchisee's obligations under this Agreement, or by any want of notice by Franchisor to Franchisee of any Default of Franchisee or by any other matter, thing, act, or omission of Franchisor whatsoever.

7. ALL DISPUTES INVOLVING A GUARANTOR (WHETHER OR NOT RELATED TO THIS GUARANTEE) SHALL BE ADJUDICATED AND RESOLVED IN ACCORDANCE WITH THE PROVISIONS APPLICABLE TO FRANCHISEE WHICH ARE SET FORTH IN ARTICLE 16 OF THE FRANCHISE AGREEMENT, WHICH SECTION, AMONG OTHER THINGS, INCLUDES MEDIATION OF MOST DISPUTES, A MUTUAL WAIVER OF TRIAL BY JURY IN ANY COURT PROCEEDINGS, LIMITATIONS ON THE TIME WITHIN WHICH TO COMMENCE AN ACTION, AND A WAIVER TO THE EXTENT PERMITTED BY LAW OF ANY RIGHT TO OR CLAIM OF ANY PUNITIVE, EXEMPLARY, OR CONSEQUENTIAL DAMAGES.

8. The Notice provisions of the Franchise Agreement shall apply to any notice to any party to this Agreement, except that notice to Guarantors shall be as follows:

9. Each of the undersigned represents and warrants that, if no signature appears below for such undersigned's spouse, such undersigned is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate. By signing below, the undersigned spouse of the Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty. Franchisor confirms that a spouse who signs this Guaranty solely in his or her capacity as a spouse (and not as an owner) is signing merely to acknowledge and consent to the execution of the Guaranty by his or her spouse and to bind the assets of the marital estate as described therein and for no other purpose (including to bind the spouse's own separate property).

(Signature page follows)

IN WITNESS WHEREOF, each of the undersigned has signed this Guaranty on the date set forth above.

GUARANTORS:

Name: Address:

Signature: ____________________

Spouse's Name:

Signature: ____________________

Name: Address:

Spouse's Name:

[Signature page to Exhibit D]

EXHIBIT C

STATE ADDENDA

ADDITIONAL DISCLOSURES FOR THE

FRANCHISE DISCLOSURE DOCUMENT OF REIS & IRVY'S INC.

The following are additional disclosures for the Franchise Disclosure Document of Reis & Irvy's, Inc. required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

CALIFORNIA

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

2. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF BUSINESS OVERSIGHT BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

3. OUR WEBSITES, www.reisandirvys.com, www.froyobusiness.com and www.froyofranchising.com HAVE NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THESE WEBSITES MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

4. The following is added at the end of Item 3:

Neither we, our parent, predecessor or affiliates nor any person in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. Sections 78a et seq., suspending or expelling such persons from membership in that association or exchange.

5. The following is added at the end of Item 5:

Pursuant to an order of the California Department of Business Oversight, we will defer collection of all payments payable to us or our affiliates under the Franchise Agreement until all our initial obligations are complete and you have begun operating your franchise.

6. The following paragraphs are added at the end of Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, and the law applies, the law will control.

The Franchise Agreement contains a covenant not to compete that extends beyond termination of the franchise. This provision might not be enforceable under California law.

The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 et seq.).

The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

7. The following paragraph is added at the end of Item 19:

The earnings claims figures do not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Robots. Franchisees or former franchisees listed in the Franchise Disclosure Document may be one source of this information.

GEORGIA

1. If the company fails to deliver the product, equipment, or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract, you may notify the company in writing and demand that the contract be cancelled.

2. The company selling a business opportunity or the seller shall collect no more than 15 percent of the purchase price. The balance of the purchase price shall be paid into an escrow account, established with a bank or an attorney, which is agreed upon by both parties. The balance in escrow shall be paid to the company 60 days after the date the purchaser commences operation of the business or upon complete compliance with the terms of the contract, whichever happens first.

HAWAII

1. The following risk factor is added as an additional risk factor to the State Cover Page of the Disclosure Document:

The audited financial statements of our parent, Generation NEXT Franchise Brands, Inc., show a negative equity of ($15,933,107). As a result of this negative equity, the State of Hawaii has imposed a requirement that all fees and deposits payable to us shall be deferred until all our pre-opening obligations have been satisfied and you have begun operating your franchise.

2. The following paragraphs are added to the end of Items 5 and 7:

The Hawaii Commissioner of Securities requires us to defer collection of all payments payable to us until all our pre-opening obligations have been satisfied and you have begun operating your franchise.

ILLINOIS

1. The following paragraph is added to the end of Items 5 and 7:

Pursuant to an order of the Illinois Attorney General's Office, based on our financial condition, we will defer collection of the initial franchise fees you owe us under the Franchise Agreement until you have commenced doing business under the Franchise Agreement.

2. __The following paragraphs are added to the end of Item 17: 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 in a venue outside of Illinois.

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

MARYLAND

1. The following is added to the end of Item 5:

Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by you shall be deferred until we complete our pre-opening obligations under the franchise agreement.

2. The following is added to the end of the "Summary" sections of Item 17(c), entitled **Requirements for franchisee to renew or extend**, and Item 17(m), entitled **Conditions for franchisor approval of transfer:**

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

3. The following is added to the end of the "Summary" section of Item 17(h), entitled **"Cause" defined – non-curable defaults**:

The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

4. The following sentence is added to the end of the "Summary" section of Item 17(v), entitled **Choice of forum**:

You may bring suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. The following language is added to the end of the chart in Item 17:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.

MINNESOTA

1. The following paragraph is added to the end of Items 5 and 7:

Pursuant to an order of the Minnesota Commissioner of Commerce, we will defer collection of the initial franchise fees you owe us under the Franchise Agreement until you have commenced doing business under the Franchise Agreement.

2. **Trademarks.** The following sentence is added to the end of Item 13:

Provided you have complied with all provisions of the Franchise Agreement applicable to the Marks, we will protect your rights to use the Marks and we also will indemnify you from any loss, costs or expenses from any claims, suits or demands regarding your use of the Marks in accordance with Minn. Stat. Sec. 80C.12 Subd. 1(g).

3. **Renewal, Termination, Transfer and Dispute Resolution.** The following is added at the end of the chart in Item 17:

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) of the Franchise Agreement and 180 days' notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. Those provisions also provide that no condition, stipulation or provision in the Franchise Agreement will in any way abrogate or reduce any of your rights under the Minnesota Franchises Law, including, if applicable, the right to submit matters to the jurisdiction of the courts of Minnesota.

Any release required as a condition of renewal, sale and/or transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

NEW HAMPSHIRE

THE NEW HAMPSHIRE DISTRIBUTORSHIP DISCLOSURE ACT MAKES IT UNLAWFUL TO SELL ANY DISTRIBUTORSHIP IN THIS STATE WHICH IS SUBJECT TO THAT ACT WITHOUT FIRST PROVIDING TO THE PROSPECTIVE DISTRIBUTOR AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY SUCH DISTRIBUTOR OF ANY BINDING DISTRIBUTORSHIP AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, WHICHEVER OCCURS FIRST, A COPY OF THIS DISCLOSURE STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE DISTRIBUTORSHIP. IF THESE DOCUMENTS HAVE NOT BEEN PRESENTED TO YOU IN ACCORDANCE WITH THESE REQUIREMENTS, YOU MAY VOID THE AGREEMENT WITHIN 90 DAYS BY SENDING NOTICE OF YOUR INTENTION TO THE GRANTOR BY UNITED STATES MAIL, RETURN RECEIPT REQUESTED. UPON RECEIPT OF THE NOTICE, THE GRANTOR MUST REFUND ALL MONIES YOU HAVE PAID FOR THE DISTRIBUTORSHIP PLUS INTEREST. THE DISCLOSURE STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE DISTRIBUTORSHIP AGREEMENT. THE AGREEMENT SHOULD BE CAREFULLY READ FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH GRANTOR AND DISTRIBUTOR.

NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND

~~SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271.~~SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to us, our predecessor, our parent, affiliates, the persons identified in Item 2, or an affiliate offering franchises under our principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations. In addition, no such party has civil actions pending against that party, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

B. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices; or comparable allegations.

C. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Except as provided above, with regard to us, our affiliate, our predecessor, officers or general partners, or any other individual who will have management responsibility relating to the sale or operation of franchises offered by this Disclosure Document, no such party, has during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; or (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of the "Summary" sections of Item 17(c), entitled **Requirements for franchisee to renew or extend**, and Item 17(m), entitled **Conditions for franchisor approval of transfer**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

~~5.~~ The following is added to the end of the "Summary" section of Item 17(d),
5. entitled **Termination by franchisee**:

The Franchisee may terminate the agreement on any grounds available by law.

6. The following is added to the end of the "Summary" section of Item 17(j), entitled **Assignment of contract by franchisor**:

However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement.

7. The following is added to the end of the "Summary" sections of Item 17(v), entitled **Choice of forum**, and Item 17(w), entitled **Choice of law**:

However, the governing choice of law and choice of forum shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York.

NORTH CAROLINA

1. The following paragraphs are added as a separate North Carolina State Cover Page:

DISCLOSURES REQUIRED BY NORTH CAROLINA LAW

The State of North Carolina has not reviewed and does not approve recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

If the seller fails to deliver the product(s), equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contact, you may notify the seller in writing and demand that the contract be cancelled.

NORTH DAKOTA

1. The following is added at the end of Item 5:

The North Dakota Securities Commissioner requires us to defer payment of the initial franchise fee and other initial payments you owe us under the Franchise Agreement until we have completed all of our pre-opening obligations to you under the Franchise Agreement and you have commenced doing business pursuant to the Franchise Agreement.

The following is added to the end of the "Summary" sections of Item 17(c), entitled **Requirements for franchisee to renew or extend**, and Item 17(m), entitled **Conditions for franchisor approval of transfer**:

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

~~3.~~ The following is added to the end of the "Summary" section of Item 17(r),
3. entitled **Non-competition covenants after the franchise is terminated or expires**:

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

4. The "Summary" section of Item 17(u), entitled **Dispute resolution** is deleted and replaced with the following:

To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), mediation will be at a site to which we and you mutually agree.

~~1.~~5.

~~5.~~6. The "Summary" section of Item 17(v), entitled **Choice of forum**, is deleted and replaced with the following:

You must sue us in the county in which we have our principal place of business (currently San Diego County, California), except that to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.

~~6.~~7. The "Summary" section of Item 17(w), entitled **Choice of law**, is deleted and replaced with the following:

Except as otherwise required by North Dakota law, the laws of the State of California will apply.

RHODE ISLAND

~~1.~~ The following language is added to the end of the "Summary" sections of Item
1. 17(v), entitled **Choice of forum**, and 17(w), entitled **Choice of law**:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

If the seller fails to deliver the product, equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contact, you may notify the seller in writing and demand that the contract be cancelled.

SOUTH CAROLINA

1. The following paragraphs are added as a separate South Carolina State Cover Page:

DISCLOSURES REQUIRED BY SOUTH CAROLINA LAW

The State of South Carolina has not reviewed and does not approve recommend, endorse, or sponsor any business opportunity. The information contained in this disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

If the seller fails to deliver the product(s), equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contact, you may notify the seller in writing and demand that the contract be cancelled.

VIRGINIA

1. The following language is added to the end of Item 5:

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 us until we have completed our pre-opening obligations under the Franchise Agreement.

~~2.~~ 2. The following language is added to the end of the "Summary" section of Item 17(h), entitled **"Cause" defined – non-curable defaults**:

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

WASHINGTON

1. The following paragraph is added at the end of Item 5:

Based upon our financial condition, the Securities Division of the Washington Department of Financial Institutions has required a financial assurance. Therefore, the initial fee owed by you shall be deferred until we complete our pre-opening obligations under the franchise agreement and the Franchisee's Business is operational.

2. The following paragraph is added at the end of Item 17:

If any of the provisions in this Franchise Disclosure Document or Franchise Agreement are inconsistent with the relationship provisions of Revised Code of Washington Section 19.100.180 or any other requirements of the Washington Franchise Investment Protection Act (the "Act"), the provisions of the Act will prevail over the inconsistent terms of the Franchise Disclosure Document or Franchise Agreement.

THE FOLLOWING PAGES IN THIS EXHIBIT ARE

STATE-SPECIFIC RIDERS TO THE

FRANCHISE AGREEMENT

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN CALIFORNIA**

THIS RIDER is made and entered into by and between **Reis & Irvy's, Inc.,** a Nevada Corporation ("Franchisor"), and______________________, a(n) _________________________ ("Franchisee") with reference to the following facts:

1. **BACKGROUND**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated__________________________, 20 (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of a franchise is being made or accepted in California, or (b) Franchisee is domiciled in California and the Reis & Irvy's business will be operated in California.

2. **INITIAL FRANCHISE FEE**. The following language is added at the end of Sections 4.1, 5.1 and 5.3 of the Franchise Agreement:

Payment of all initial fees to Franchisor or its affiliates is postponed until after all of Franchisor's initial obligations are complete and Franchisee has begun operating its franchise.

IN WITNESS WHEREOF, the parties have executed and delivered this to be effective as of the Effective Date of the Franchise Agreement.

FRANCHISOR:

Reis & Irvy's, Inc.
a Nevada corporation

By:_______________________ Its: _

FRANCHISEE:

____
____

[____] an individual;
[____] a_____________general partnership;
[____] a_____________limited partnership;
[____] a_____________limited liability company;
[____] a_____________corporation

By:__________________________
Its: __________________________

RIDER TO THE FRANCHISE AGREEMENT FOR USE IN HAWAII

THIS RIDER is made and entered into by and between **Reis & Irvy's, Inc.**, a Nevada Corporation ("Franchisor"), and ______________________, a(n) ______________________ ("Franchisee") with reference to the following facts:

1. **BACKGROUND**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated ______________________, 20 (the "Franchise Agreement"). 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 Hawaii, (b) the Reis & Irvy's business that Franchisee will operate under the Franchise Agreement will be located in Hawaii, and/or (c) Franchisee is domiciled in Hawaii.

2. **INITIAL FRANCHISE FEE.** The following language is added at the end of Sections 4.1, 5.1 and 5.3 of the Franchise Agreement:

   Franchisor will defer collection of all payments Franchisee owes Franchisor under this Agreement until all pre-opening obligations have been satisfied and you have begun operating your franchise.

IN WITNESS WHEREOF, the parties have executed and delivered this to be effective as of the Effective Date of the Franchise Agreement.

FRANCHISOR:

Reis & Irvy's, Inc.
a Nevada corporation

~~[____] an individual;~~
~~[____] a______________general partnership;~~
~~[____] a______________limited partnership;~~
~~[____] a______________limited liability company;~~
~~[____] a______________corporation~~

____

[____] an individual;
[____] a______________general partnership;
[____] a______________limited partnership;
[____] a______________limited liability company;
[____] a______________corporation

By: ______________________
Its: ______________________

By:________________________
Its: ________________________
____

FRANCHISEE:

____

[____] an individual;
[____] a______________general partnership;
[____] a______________limited partnership;
[____] a______________limited liability company;
[____] a______________corporation

By:____________________________
Its: ____________________________

RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS

THIS RIDER is made and entered into by and between **Reis & Irvy's, Inc.**, a Nevada Corporation ("Franchisor"), and______________________, a(n) ________________________ ("Franchisee") with reference to the following facts:

1. **BACKGROUND**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated__________________________, 20 (the "Franchise Agreement"). 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 Reis & Irvy's business that Franchisee will operate under the Franchise Agreement will be located in Illinois, and/or (b) Franchisee is domiciled in Illinois.

2. **INITIAL FRANCHISE FEE**. The following language is added at the end of Sections 4.1, 5.1 and 5.3 of the Franchise Agreement:

> Franchisor will defer collection of initial franchise fees Franchisee owes Franchisor under this Agreement until Franchisee has commenced doing business under this Agreement.

3. **ILLINOIS LAW**. The following paragraphs are added to the end of the Franchise Agreement and supersede any conflicting provisions in the Franchise Agreement:

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

[Signature page follows]

IN WITNESS WHEREOF, the parties have executed and delivered this to be effective as of the Effective Date of the Franchise Agreement.

FRANCHISOR:

Reis & Irvy's, Inc.
a Nevada corporation

By:______________________ Its: _

FRANCHISEE:

____
____

[____] an individual;
[____] a____________general partnership;
[____] a____________limited partnership;
[____] a____________limited liability company;
[____] a____________corporation

By:________________________
Its: ________________________

RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN MARYLAND

THIS RIDER is made and entered into by and between **Reis & Irvy's, Inc.**, a Nevada corporation ("Franchisor"), and ______________________, a(n) ______________________ ("Franchisee") with reference to the following facts:

1. **BACKGROUND**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated ______________________, 20 (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) Franchisee is domiciled in Maryland, and/or (b) the Reis & Irvy's business that Franchisee will operate under the Franchise Agreement will be located in Maryland.

2. **INITIAL FEES.** Sections 4.1, 5.1 and 5.3 of the Franchise Agreement are amended by adding the following language to the end of each section:

   Pursuant to an order of the Maryland Securities Commissioner, Franchisor will defer collection of all initial fees and payments owed by Franchisee until Franchisor complete its pre-opening obligations under the Franchise Agreement.

3. **RELEASES.** The following is added to the end of Sections 11.2(f) ("Pre-Conditions to Franchisee's Transfer) and 12.2(d) ("Renewals") of the Franchise Agreement:

   However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to any claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

4. **INSOLVENCY**. The following sentence is added to the end of Section 13.2(a) ("Insolvency") of the Franchise Agreement:

   This Section 13.2(a) may not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

5. **CONSENT TO JURISDICTION**. The following sentence is added to the end of Section 16.2 ("Venue") of the Franchise Agreement:

   Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise registration and Disclosure Law.

6. **LIMITATION OF AJUDICATIVE PROCEEDINGS**. The following sentence is added to the end of Section 16.5 ("Limitation of Adjudicative Proceedings") of the Franchise Agreement:

   Franchisee must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after Franchisor grants Franchisee the franchise.

7. **NON-WAIVER**. The following is added to the end of Sections 17.4 ("Non-Waiver"), 17.8 ("Notice"), 17.17 ("Acknowledgments"), and 17.18 ("Franchise Disclosure Document") of the Franchise Agreement:

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

IN WITNESS WHEREOF, the parties have executed and delivered this to be effective as of the Effective Date of the Franchise Agreement.

FRANCHISOR:

Reis & Irvy's, Inc.
a Nevada corporation

By: ____________________
Its: ____________________

FRANCHISEE:

____
[ ] an individual;
[ ] a __________ general partnership;
[ ] a __________ limited partnership;
[ ] a __________ limited liability company;
[ ] a __________ corporation

By: ____________________
Its: ____________________

RIDER TO THE FRANCHISE AGREEMENT FOR USE IN MINNESOTA

THIS RIDER is made and entered into by and between **Reis & Irvy's, Inc.,** a Nevada corporation ("Franchisor"), and______________________, a(n) ________________________ ("Franchisee") with reference to the following facts:

1. **BACKGROUND**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated__________________________, 20 (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the Reis & Irvy's business that Franchisee 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. **INITIAL FRANCHISE FEE**. The following language is added at the end of Sections 4.1, 5.1 and 5.3 of the Franchise Agreement:

> Franchisor will defer collection of initial franchise fees Franchisee owes Franchisor under this Agreement until Franchisee has commenced doing business under this Agreement.

3. **INDEMNIFICATION FOR USE OF MARKS**. The following sentence is added to the end of Article 10 of the Franchise Agreement:

> Provided Franchisee has complied with all provisions of this Agreement applicable to the Marks, Franchisor will protect Franchisee's right to use the Marks and will indemnify Franchisee from any loss, costs or expenses arising out of any claims, suits or demands regarding Franchisee's use of the Marks in accordance with Minn. Stat. Sec. 80C 12, Subd. 1(g).

4. **RELEASES.** The following is added to the end of Sections 11.2(f) and 12.2(d) of the Franchise Agreement:

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

5. **RENEWAL AND TERMINATION**. The following is added to the end of Article 13 of the Franchise Agreement:

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

6. **CHOICE OF LAW.** The following statement is added at the end of Section 16.1 of the Franchise Agreement:

Nothing in this agreement will abrogate or reduce any of Franchisee's rights under Minnesota Statutes Chapter 80c or Franchisee's right to any procedure, forum or remedies that the laws of the jurisdiction provide.

7. **VENUE.** The following language is added to the end of Section 16.2 of the Franchise Agreement:

Notwithstanding the foregoing, Minn. Stat. Sec. 80c.21 and Minn. Rule 2860.4400j prohibit Franchisor, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this agreement will abrogate or reduce any of Franchisee's rights under Minnesota Statutes Chapter 80c or Franchisee's rights to any procedure, forum or remedies that the laws of the jurisdiction provide.

8. **LIMITATION OF ADJUDICATIVE PROCEEDINGS.** The following language is added to the end of Section 16.5 of 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.

9. **INJUNCTIVE RELIEF.** Section 16.6 of the Franchise Agreement is deleted in its entirety and replaced with the following language:

Nothing in this Agreement bars Franchisor's right to obtain specific performance of the provisions of this Agreement and seek injunctive relief against conduct that threatens to injure or harm Franchisor, the Marks or the System, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. Franchisee agrees that Franchisee's only remedy if an injunction is entered against Franchisee will be the dissolution of that injunction, if warranted, upon due hearing, and Franchisee hereby expressly waive any claim for damages caused by such injunction. A court will determine if a bond is required.

IN WITNESS WHEREOF, the parties have executed and delivered this to be effective as of the Effective Date of the Franchise Agreement.

FRANCHISOR:

Reis & Irvy's, Inc.
a Nevada corporation

By:________________________ Its: _

FRANCHISEE:

____
____

[____] an individual;
[____] a______________general partnership;
[____] a______________limited partnership;
[____] a______________limited liability company;
[____] a______________corporation

By:____________________________
Its: ____________________________

RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN THE STATE OF NEW YORK

THIS RIDER is made and entered into by and between **Reis & Irvy's, Inc.,** a Nevada corporation ("Franchisor"), and________________________, a(n) ____________________________ ("Franchisee") with reference to the following facts:

1. **BACKGROUND**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated___________________________, 20 (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) Franchisee is domiciled in the State of New York and the Reis & Irvy's business that Franchisee will operate under the Franchise Agreement will be located in New York, and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in New York.

2. **RELEASES**. The following language is added to the end of Sections 11.2(f) and 12.2(d) of the Franchise Agreement:

Notwithstanding the foregoing all rights enjoyed by Franchisee and any causes of action arising in Franchisee's favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

3. **TERMINATION BY FRANCHISEE**. The following language is added to the end of Section 13.1 of the Franchise Agreement:

Franchisee also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

4. **TRANSFER BY FRANCHISOR**. The following language is added to the end of Section 11.4 of the Franchise Agreement:

However, to the extent required by applicable law, no transfer will be made except to an assignee who, in Franchisor's good faith and judgment, is willing and financially able to assume Franchisor's obligations under this Agreement.

5. **CHOICE OF LAW**. The following statement is added at the end of Section 16.1 of the Franchise Agreement:

This Section shall not be considered a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

6. **VENUE**. The following sentence is added to the end of Section 16.2 of the Franchise Agreement:

> This Section shall not be considered a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

IN WITNESS WHEREOF, the parties have executed and delivered this to be effective as of the Effective Date of the Franchise Agreement.

FRANCHISOR:

Reis & Irvy's, Inc.
a Nevada corporation

By:______________________ Its: _

FRANCHISEE:

____
____

[____] an individual;
[____] a_____________general partnership;
[____] a_____________limited partnership;
[____] a_____________limited liability company;
[____] a_____________corporation

By:_________________________
Its:_________________________

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN NORTH DAKOTA**

THIS RIDER is made and entered into by and between **Reis & Irvy's, Inc.**, a Nevada corporation ("Franchisor"), and ______________________, a(n) ______________________ ("Franchisee") with reference to the following facts:

1. **BACKGROUND**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated ______________________, 20 (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) Franchisee is a resident of North Dakota and the Reis & Irvy's business that Franchisee 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. **INITIAL FEES**. Sections 4.1, 5.1 and 5.3 of the Franchise Agreement are amended by adding the following language to the end of each section:

> The North Dakota Securities Commissioner requires Franchisor to defer payment of the initial franchise fee and other initial payments Franchisee owes Franchisor under this Agreement until Franchisor has completed all of Franchisor's pre-opening obligations to Franchisee under this Agreement and Franchisee has commenced doing business pursuant to this Agreement.

3. **POST-TERM NON COMPETITION**. The following is added to the end of Section 14.3 of the Franchise Agreement:

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

4. **RELEASES**. The following is added to the end of Sections 11.2(f) and 12.2(d) of the Franchise Agreement:

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

5. **CHOICE OF LAW**. Section 16.1 of the Franchise Agreement is deleted and replaced with the following:

> Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. sections 1051 et seq.), or other United States federal law, and except as otherwise required by North Dakota law, this Agreement, the Franchise, and all claims arising from the relationship between Franchisor and Franchisee will be governed by the laws of the state of California, without regard to its conflict of laws rules, except that any state 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 section.

6. **VENUE**. The following is added to the end of Section 16.2 of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, and subject to Franchisee's arbitration obligations, Franchisee may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

7. **MEDIATION**. The following is added to the end of Section 16.4 of the Franchise Agreement:

; provided, however, that to the extent otherwise required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), mediation shall be held at a site to which Franchisor and Franchisee mutually agree.

8. **LIMITATION OF ADJUDICATIVE PROCEEDINGS**. The following is added to the end of Section 16.5 of the Franchise Agreement:

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

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed and delivered this to be effective as of the Effective Date of the Franchise Agreement.

FRANCHISOR:

Reis & Irvy's, Inc.
a Nevada corporation

By:_______________________ Its: _

FRANCHISEE:

____
____

[____] an individual;
[____] a_____________general partnership;
[____] a_____________limited partnership;
[____] a_____________limited liability company;
[____] a_____________corporation

By:__________________________
Its: __________________________

RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN RHODE ISLAND

THIS RIDER is made and entered into by and between Reis & Irvy's, Inc., a Nevada corporation ("Franchisor"), and ____________________, a(n) ________________________ ________________("Franchisee") with reference to the following facts:

1. **BACKGROUND**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated __________________________, 20 (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) Franchisee is domiciled in Rhode Island and the Reis & Irvy's business that Franchisee 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. **CHOICE OF LAW / VENUE**. The following is added at the end of Sections 16.1 and 16.2 of the Franchise Agreement:

> Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act." To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed and delivered this to be effective as of the Effective Date of the Franchise Agreement.

FRANCHISOR:

Reis & Irvy's, Inc.
a Nevada corporation

By:______________________ Its: _

FRANCHISEE:

____

[____] an individual;
[____] a_____________general partnership;
[____] a_____________limited partnership;
[____] a_____________limited liability company;
[____] a_____________corporation

By:_________________________
Its: _________________________

RIDER TO THE
FRANCHISE AGREEMENT FOR USE IN THE
COMMONWEALTH OF VIRGINIA

THIS RIDER is made and entered into by and between **Reis & Irvy's, Inc.,** a Nevada corporation ("Franchisor"), and________________________, a(n) ____________________________ ("Franchisee") with reference to the following facts:

1. **BACKGROUND**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated____________________________, 20 (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because the Reis & Irvy's business that Franchisee will operate under the Franchise Agreement will be located in Virginia.

2. **INITIAL FRANCHISE FEE**. The following language is added at the end of Sections 4.1, 5.1 and 5.3 of the Franchise Agreement:

> 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 Franchisee to the Franchisor until Franchisor has completed its pre-opening obligations under this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider to be effective as of the Effective Date of the Franchise Agreement.

FRANCHISOR:

Reis & Irvy's, Inc.
a Nevada corporation

By:________________________ Its: _

FRANCHISEE:

____
____

[____] an individual;
[____] a_____________general partnership;
[____] a_____________limited partnership;
[____] a_____________limited liability company;
[____] a_____________corporation

By:___________________________
Its: ___________________________

RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN WASHINGTON

THIS RIDER is made and entered into by and between **Reis & Irvy's, Inc.,** a Nevada corporation ("Franchisor"), and________________________, a(n) ________________________ ("Franchisee") with reference to the following facts:

1. **BACKGROUND**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated____________________________, 20 (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) Franchisee is domiciled in Washington; and/or (b) the Reis & Irvy's business that Franchisee will operate under the Franchise Agreement will be located or operated in Washington; and/or (c) any of the offering or sales activity relating to the Franchise Agreement occurred in Washington.

2. **INITIAL FEES.** Sections 4.1, 5.1 and 5.3 of the Franchise Agreement are amended by adding the following language to the end of each section:

Pursuant to an order of the Securities Division of the Washington Department of Financial Institutions, Franchisor will defer collection of the initial fee owed by Franchisee until Franchisor complete its pre-opening obligations under the Franchise Agreement and the Franchisee's business is operational.

3. **WASHINGTON LAW**. The following paragraphs are added to the end of the Franchise Agreement:

In recognition of the requirements of the Washington Franchise Investment Protection Act (the "Act") and the rules and regulations promulgated thereunder, the Franchise Agreement shall be modified as follows:

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

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

IN WITNESS WHEREOF, the parties have executed and delivered this to be effective as of the Effective Date of the Franchise Agreement.

FRANCHISOR:

Reis & Irvy's, Inc.
a Nevada corporation

By:_______________________ Its: _

FRANCHISEE:

____
____

[____] an individual;
[____] a_____________general partnership;
[____] a_____________limited partnership;
[____] a_____________limited liability company;
[____] a_____________corporation

By:___________________________
Its:___________________________

EXHIBIT D

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EXHIBIT E

LIST OF FRANCHISEES

Exhibit E
List of Franchisees

LIST OF CURRENT FRANCHISEES AS OF JUNE 30, 2018

Franchisee	State(s) where Robots are operated	Business Address	City	State	Zip	Business Telephone
Froyo Vending of Atlanta LLC	Georgia	3705 Laurel Brook Way	Snellville	GA	30039	(770) 630-2858
Revelation Yogurt, LLC	Michigan	9285 Lake Ridge Drive	Oakland County	MI	48348	(248) 953-5902
Robotic Desserts, LLC	Pennsylvania	712 Darby Rd	Havertown	PA	19083	(610) 529-9154
Mattix FroYo, LLC	Texas	2307 Daneswood Court	Spring	TX	77388	(832) 928-3822

NOTE: Each of the following franchisees has signed a Franchise Agreement, but has not yet begun operating its franchised business.

Franchisee	State(s) where Robots to be operated(1)	Business Address	City	State	Zip	Business Telephone
JEP Vend Inc	Alabama	2214 Riverwood Dr	Auburn	AL	36830	(334) 430-0239
DeMarre Carroll	Alabama	713 Sleepy Hollow Drive	Birmingham	AL	35214	(404) 916-0396
Kelly Hayes	Alabama	269 Silo Loop	Fairhope	AL	36532	(248) 819-2692
Empower Unlimited LLC	Alabama	110 Eswick Drive	Prattville	AL	36067	(334) 868-8140
DTAZ LLC	Arizona	40907 N. Parker Ct.	Anthem	AZ	85086	(315) 559-3705
Coulter Technologies LLC	Arizona	10521 W Alvarado Rd	Avondale	AZ	85392	(602) 291-9241
Heather Tack	Arizona	2450 W Pecos RD #3058	Chandler	AZ	85224	(763) 843-3777
Bowen Breunig	Arizona	2429 E. Stacey Rd	Gilbert	AZ	85298	(602) 625-1286
Mark Kroll	Arizona	1438 S Cholla St	Gilbert	AZ	85233	(818) 269-1778
Robinson Fro Yo, LLC	Arizona	21921 N 120th Ave	Maricopa County	AZ	85373	(602) 327-0702
Maaly R&I, LLC	Arizona	3514 N. Power Rd. Ste 111	Mesa	AZ	85215	(480) 203-7768
Joe Werba	Arizona	3544 N Jasper Mtn Cir	Mesa	AZ	85207	(480) 628-1971
South Mountain Chandler, LLC	Arizona	7817 S 39th Way	Phoenix	AZ	85042	(602) 826-9245
AZ Modern Vending LLC	Arizona	2418 W Preserve Way	Phoenix	AZ	85085	(661) 313-5865
Terry Williams	Arizona	8405 N 391st Ave	Tonopah	AZ	85354	(480) 518-0629
FROYO BOT VENDING, LLC	Arizona	4250 N Via Raposa	Tucson	AZ	85718	(520) 989-1298
RJ Refreshments, LLC	Arkansas	2373 Cartier St.	Fayetteville	AR	72704	(479) 442-6907
Ed Breunig III	California	1103 Main Street	Huntington Beach	CA	92648	(602) 625-2686
Brian Selvan	California	27732 Manor Hill Road	Laguna Niguel	CA	92677	(949) 466-1499
L&T Industries, LLC	California	411 W Seaside Way num. 2201	Long Beach	CA	90802	(562) 495-5030
Sean Akamine	California	301 Cascade Terrace, Monterey Park	Los Angeles	CA	91755	(310) 752-3631
Ken Pawlowski	California	10835 Newstlenook Circle	Mather	CA	95655	(916) 838-6738
WhitSnacks Healthy Vending LLC	California	6724 Pecan Ave	Orangevale	CA	95662	(916) 548-5552
Lonnie Nielson	California	827 33rd Street	Sacramento	CA	95816	(916) 757-3739
Jaymin Patel	California	551 Issac Ct.	San Jose	CA	95136	(408) 623-2145

Franchisee	State(s) where Robots to be operated[(1)]	Business Address	City	State	Zip	Business Telephone
Nassim Bayat	California	33741 Shamrock Lane	San Juan Capistrano	CA	92675	(949) 257-7151
Kenneth Tan	California	1134 W Columbine Ave	Santa Ana	CA	92707	(714) 668-9858
Tesla Lutes	California	22300 Walnut St	Wildomar	CA	92595	(951) 674-1209
Roman 1 LLC & Coach 1 LLC	California	21731 Ventura Blvd suite 300	Woodland Hills	CA	91364	NA
Dan Anselmo	California	3312 Clandon Pk Dr	Raleigh	NC	27613	(919) 798-4178
Prana Inc.	Colorado	5885 Zinnia Ct	Arvada	CO	80004	(303) 901-4727
Victor Rodriguez	Colorado	8641 Gladiola Circle	Arvada	CO	80005	(303) 898-8910
Kevin Cordova	Colorado	1050 Waters Ave Unit 2	Aspen	CO	81611	(949) 350-8956
Gary Case	Colorado	2104 E Bromley Ln	Brighton	CO	80601	(303) 915-1159
Robert Rusnak Sr.	Colorado	15620 Timberside Ct	Colorado Springs	CO	80921	(719) 964-7250
Mandy Thomas	Colorado	9981 Joplin Street	Commerce City	CO	80022	(720) 427-9226
Blueskyproducts, LLC	Colorado	701 S. York St.	Denver	CO	80209	(303) 898-3124
Lucas Hornburg	Colorado	5006 Whitewood Court	Fort Collins	CO	80528	(970) 672-3449
Venzix Ventures Inc	Colorado	750 Legend Oak Dr	Fountain	CO	80817	(719) 650-3933
Authentic Self, LLC	Colorado	8050 Niwot Rd unit 3	Longmont	CO	80503	(970) 470-1240
Zals Holdings LLC	Colorado	170 South Valley Road	Palmer Lake	CO	80133	(719) 238-1124
Tolland County Company, LLC	Connecticut	22 Ryan Dr	Ellington	CT	6029	(860) 209-6836
Frozen Love LLC	DC	541 Isaac Russell St.	New Market	MD	21774	(301) 906-0004
Jim Ross	DC	8933 Hollymeade Drive	Lorton	VA	22079	(703) 690-5744
Fresh Healthy Markets, LLC	Delaware	455 Carson Drive	Bear	DE	19701	(484) 748-4791
CNR Fresh Fix LLC	Florida	22278 Hollyhock Trail 33433	Boca Raton	FL	33433	(561) 901-1168
SREE SAIRAM LLC	Florida	4610 Arbor Gate Drive	Bradenton	FL	34203	(941) 567-7140
Bryant Thorpe	Florida	9430 swift creek circle	Dover	FL	33527	(813) 777-7191
Aanvi Inc.	Florida	5511 W Homosassa Trail	Homosassa Springs	FL	34448	(478) 550-6070
Jax Vending, LLC	Florida	3948 3rd Street S. Suite 25	Jacksonville	FL	32250	(904) 314 7686
Alton Flowers	Florida	15076 Hwy 89	Jay	FL	32565	(251) 727-1493
Robot Vend, LLC	Florida	6801 Lake Worth Rd Suite 214	Lake Worth	FL	33467	(561) 257-3434
Leonard Grecul	Florida	5851 Newbury Circle	Melbourne	FL	32940	(321) 604-8014
Brandon Leidel	Florida	6501 SW 33rd Street	Miami	FL	33155	(786) 337-1973
Dvir Lev-Ran	Florida	5126 Tarragona drive	Orange County	FL	32837	(407) 431-6774
S & A ROBERT LLC	Florida	13841 Red mangrove Dr	Orlando	FL	32805	(321) 278-9658
Anjali Vyas	Florida	10766 Berry Creek Rd	Orlando	FL	32836	(734) 239-5724
Telar Universal Trade, LLC	Florida	3029 Boating Blvd.	Osceola County	FL	34746	(714) 271-6831
FroYo Vending, LLC	Florida	7422 Market St	Panama City	FL	32409	(951) 775-4007
John Demaye	Florida	914 Third St	Port Orange	FL	32129	(724) 462-5330
Brandon Cheal	Florida	2481 C H Arnold Rd	Saint Augustine	FL	32092	(614) 563-3615
VENDBOT, Inc	Florida	11125 Park Blvd suite 104-121	Seminole	FL	33772	(727) 421-1253
Eric Stanion	Florida	316 S Ocean Trace Rd	St Augustine	FL	32080	(916) 496-1424
VYH ENTERPRISES, LLC	Florida	2907 Grey Oaks Blvd	Tarpon Springs	FL	34688	(727) 572-1919
Top Hat Food Services LLC	Florida	11799 Granite Woods Loop	Venice	FL	34292	(630) 825-2800
Brian Levin	Florida	8668 Falcon Green Dr.	West Palm Beach	FL	33412	(443) 641-4149

Franchisee	State(s) where Robots to be operated(1)	Business Address	City	State	Zip	Business Telephone
Southern Robotic Foods, LLC.	Florida & South Carolina	148 River Street, Suite 202	Greenville	SC	29601	(310) 400-2987
AMWAJ VENDING, LLC.	Florida	4060 chesapeake way	Memphis	TN	38125	(901) 310-0000
Doug Day	Georgia	2088 Evergreen Lane	Atlanta	GA	30318	(404) 323-3656
RoboTreats LLC	Georgia	6385 Glen Oaks Lane	Atlanta	GA	30328	(404) 502-1454
Jerry Pygeol	Georgia	684 Hennepin Terrace	McDonough	GA	30253	(678) 852-7453
Ahmed Elsedawy	Georgia	160 Chastain Manor Drive	Norcross	GA	30071	(404) 661-1167
Patrick Tantoco	Hawaii	725 Kapiolani Blvd num. 3105	Honolulu	HI	96813	(650) 740-0623
TOUCHDOWN LLC	Idaho	2010 N Finsbury Way	Star	ID	83669	(971) 645-1061
Quickdraw Ventures, LLC	Idaho	206 Hunnington Dr	Columbus	MS	39705	(612) 930-8570
James Towns	Illinois	1121 W Gramercy Lane	Addison	IL	60101	(630) 697-5060
CU EATERIES , LLC	Illinois	2205 Brookshire E	Champaign	IL	61821	(573) 683-0091
Amit Patel	Illinois	4535 Niclas Drive	Champaign	IL	61822	(217) 552-2481
Robo Freeze, LLC	Illinois	3917 Shale Dr	Edwardsville	IL	62025	(618) 772-8111
2 Sisters Froyo, Inc	Illinois	5465 Port Clinton Rd	Lake Zurich	IL	60047	(773) 263-1234
Scott Gottlieb	Illinois	824 Pinto Lane	Northbrook	IL	60062	(773) 230-2294
Bret Berghoefer	Illinois	619 Waterloo DR	Waterloo	IL	62298	(618) 830-6496
Jonathan Gavlinski	Indiana	2425 W. Harbourside Drive	Allen County	IN	46814	(951) 660-3531
INDY ROBO VENDING, LLC	Indiana	1290 W 700 N	Greenfield	IN	46140	(317) 694-9839
Peter Szostak	Indiana	5710 Angel View Ct.	Greenwood	IN	46143	(317) 496-2447
Meeks Development LLC	Indiana	2116 McDowell Rd	Vincennes	IN	47591	(812) 887-8824
Rocoo Rizzuti	Iowa	4808 Ceil Pt	Panora	IA	50216	(515) 988-0014
ASH, LLC	Kentucky	169 Muir Lane	Georgetown	KY	40324	(859) 794-9401
COOPER & FREEZEMAN, LLC	Kentucky	1448 Gardiner Lane Suite 301	Louisville	KY	40213	(502) 592-8629
Froyo Treats INC	Kentucky	7607 Lancelot Ct.	Louisville	KY	40222	(812) 498-3268
Jennifer McKinney	Kentucky	11033 Perwinkle Lane	Louisville	KY	40291	(502) 345-9640
McSogg Enterprises LLC	Kentucky	19 Greenwood Place	McCracken County	KY	42003	(270) 217-8482
Sam Williams	Kentucky	2161 Lexington Rd Suite 6	Richmond	KY	40475	(859) 544-4775
Emile Meral III	Louisiana	219 Camphill Court	Abita Springs	LA	70420	(985) 778-6121
Vadim Jerry	Louisiana	1337 Madison St	Gretna	LA	70053	(330) 503-2168
Clark Wiederhold	Louisiana	260 Morningside Dr	Mandeville	LA	70448	(504) 231-9342
SLA FROYO, LLC	Louisiana	5513 Whitaker Circle	Longview	TX	75605	(903) 686-0489
Larry Wheeler	Louisiana	1401 Sleepy Hollow	Longview	TX	45604	(903) 241-5677
Nicholas Arbutina	Maryland	143 Gathering Court	Queen Anne's County	MD	21668	(410) 320-6448
Gregg Mabey	Massachusetts	120 N. Hoosac Rd.	Berkshire	MA	1267	(413) 458-4606
Alcy Araujo	Massachusetts	84 Water St	Boston	MA	02072	(843) 725-9853
Christopher Charron & Matthew Gulino	Massachusetts	11 Tyler Road	Boston	MA	1568	(508) 603-9732
5810 Investments LLC	Massachusetts	196 moncrief rd	Boston	MA	2370	(781) 706-2102
Pat Lanni	Massachusetts	137 High Rock Rd	Boston	MA	1420	(978) 621-4165
Michael Zolga	Massachusetts	611 E 8th street	Boston	MA	2127	(508) 802-1474
Kevin Curtis	Massachusetts	213 Mendon st	Upton	MA	1568	(508) 889-3204
A & V Vending, LLC	Michigan	6222 Eastmoore	Bloomfield Hills	MI	48301	(248) 229-8718
Ken Karasick	Michigan	1313 Hunters Run	Grand Blanc	MI	48439	(810) 908-4912

Franchisee	State(s) where Robots to be operated(1)	Business Address	City	State	Zip	Business Telephone
Melissa Ryan	Michigan	8384 Grovemont Ct	Grand Blanc	MI	48439	(810) 252-5002
Matthew Luckas	Michigan	4168 Winding Way	Kalamazoo	MI	49004	(269) 552-4797
MOYO, LLC	Michigan	5610 Leland Road	Laingsburg	MI	48848	(517) 651-2550
Presto Yogurt Vending, LLC	Michigan	16957 18 Mile Road	Macomb County	MI	48038	(586) 623-9181
Mitchel Bogner	Michigan	8513 E. Hawley Rd	Mason County	MI	49402	(231) 898-3000
Erie Skoczylas	Michigan	22650 Shevington Dr.	Southfield	MI	48034	(347) 385-9688
CUOVAN LLC	Michigan	34400 Orsini Dr	Sterling Heights	MI	48312	(281) 409-3563
Robo Yogurt, LLC	Michigan	7268 Ravines Cir	West Bloomfield	MI	48322	(248) 217-7195
Robert McLeod	Michigan	2498 golfbury dr SW	Wyoming	MI	49519	(616) 254-7597
Leansmith II LLC	Mississippi	1000 East Beach Blvd	Gulfport	MS	39501	(903) 517-0288
Chuck Lott	Mississippi	130 Sugaloch Cove	Jackson	MS	39211	(601) 941-1662
Robot Vending LLC	Mississippi	2841 Emmy Drive	Laurel	MS	39440	(601) 919-7483
Reis and Irvy's of Jackson MS	Mississippi	244 Lake Circle	Madison	MS	39110	(601) 624-7589
Steve Monoky	Missouri	5210 NW 78th Way	Kansas City	MO	64151	(386) 682-8684
Fro Yo 2 Go, Inc	Missouri	907 Trailway Drive	Raymore	MO	64083	(816) 665-9349
Thomas Noser	Missouri	6526 Bradley	St. Louis	MO	63139	(314) 616-9036
Robotic Vending, LLC	Montana	284 Lone Fox Trail	Kalispell	MT	59901	(406) 212-4203
Debra & Doug Keller	Nebraska	103 Johnson Pl	Eustis	NE	69028	(308) 785-7275
Jim Raabe	Nebraska	304 S 2nd Ave	Hadar	NE	68738	(402) 649-1523
241 holdings llc	Nebraska	16151 W St	Omaha	NE	68135	(402) 319-6317
ROCKIN ROBOT YOGURT LLC	Nevada	5106 Tuscany Court Highlands Ranch	Littleton	CO	80130	(720) 988-0372
Triple Seven, LLC	Nevada	1717 Choice Hills Dr	Henderson	NV	89012	(702) 357-8777
RSE, LLC	Nevada	1148 Calico Ridge Drive	Henderson	NV	89011	(702) 497-0653
B & D FROYO, LLC	Nevada	1819 Baja Lane	Henderson	NV	89012	(702) 595-1949
Fro Yo Robo Inc	Nevada	6448 StarJasmine Court	Las Vegas	NV	89108	(702) 303-7064
Richard Probst	Nevada	5902 Quintillion Ave	Las Vegas	NV	89122	(702) 497-3524
Daniel Doyle	New Jersey	270 21st St	Avalon	NJ	8202	(610) 909-9082
ORZU CORP	New Jersey	48 Marc Dr.	Dayton	NJ	8810	(732) 274-0168
FROYOBROS LLC	New Jersey	20 North Second Avenue	Kenvil	NJ	7847	(616) 560-7430
Michael Gorman	New Jersey	69 Kim Ln.	Long Valley	NJ	7853	(908) 867-8168
Ming-Fai Lai	New Jersey	19 N Brae Ct	Tenafly	NJ	7670	(917) 741-9902
Dennica Torres and Stephen Torres	New Mexico	6816 Largo Vista St NW	Albuquerque	NM	87120	(505) 239-7762
Matthew Thomas	New Mexico	3945 Las Colinas Ave NE	Rio Rancho	NM	87124	(954) 554-5087
Injoy Properties LLC	New Mexico	3561 Cerrillos Road	Santa Fe	NM	87507	(505) 670-3131
East Coast Yogurt Corp.	New York	205-08 32nd Ave	Bayside	NY	12345	(917) 378-1687
Paolo Alfonsi	New York	2457 Bellmore Avenue	Bellmore	NY	11710	(516) 679-0698
The Bassaw Oraganization, INC.	New York	2729 Colden Avenue	Bronx	NY	10469	(646) 479-9846
Franco Dimaria	New York	2812 West 15th Street	Brooklyn	NY	11224	(347) 405-1709
Silver City Marketing Group, LLC	New York	44 Park Terrace	City of Sherrill	NY	13461	(315) 363-2870
REDDY ROBO-VENDING HOLDINGS, LLC	New York	1025 Reynolds Road	Johnson City	NY	13790	(347) 330-9095
Kevin Muller	New York	1070 Middle Country Road	Patchogue	NY	11772	(631) 312-7561
T&B Froyo, LLC	New York	1607 Carrie st	Schenectady	NY	12308	(518) 935-7643

Franchisee	State(s) where Robots to be operated(1)	Business Address	City	State	Zip	Business Telephone
Christopher Horsford Inc.	New York	2 Coraci Blvd	Shirley	NY	11967	(631) 786-3235
Elizabeth Howell	North Carolina	4215 MURRAYHILL RD	Charlotte	NC	28209	(704) 578-5903
Mark Fossum	North Carolina	100 Shadow Hawk Dr.	Durham	NC	27713	(859) 582-7450
Mosi Peyton	North Carolina	2813 Warren St	Durham	NC	27704	(919) 306-1566
JKLM Worldwide LLC	North Carolina	10016 Roosevelt Drive	Huntersville	NC	28078	(704) 281-7849
Julia Dezarn	North Carolina	127 White Oak Blvd	Jacksonville	NC	28546	(802) 393-5564
Snowy Egret LLC	North Carolina	1931 Snowy Egret Dr	Morehead City	NC	28557	(252) 342-6075
Andrew Sabourin	North Carolina	9918 Cockerham Lane	North Carolina	NC	28078	(978) 549-8935
Small Pond Ventures	North Carolina	304 Painted Turtle ct	Waxhaw	NC	28173	(704) 954-4594
Perry Clark	North Carolina	528 Knob View Drive	Winston Salem	NC	27104	(336) 655-4285
INNOVATE PLUS, INC	Ohio	457 Crestwood Drive	Avon Lake	OH	44012	(440) 317-0703
Alma Enterprises, Inc.	Ohio	5227 Reserve Drive	Dublin	OH	43017	(614) 553-7102
Gregg Wilhelm	Ohio	4969 Colt Lane	Mason	OH	45040	(513) 260-4020
Petra Sales Corp. LLC	Ohio	PO Box 301	North Jackson	OH	44451	(330) 692-6071
TSNC Holdings LLC	Ohio	1280 Oakwood Ave	Oakwood	OH	45419	(937) 269-5618
MP Frozen Treats LLC	Ohio	14449 Willow Circle	Strongsville	OH	44136	(440) 915-6551
CK Green Partners LLC	Ohio	5010 Augusta Dr	Westerville	OH	43082	(740) 549-4756
Kristopher Barlow	Oklahoma & Texas	5710 Smoky Hill Trail	Edmond	OK	73034	(405) 317-5897
FROKLAHOMA, LLC	Oklahoma	11716 S Umber St	Jenks	OK	74037	(405) 615-2895
DRK VENTURES LLC DBA Oklahoma Healthy Vending	Oklahoma	17682 S Tacoma St	Mounds	OK	74047	(405) 887-6351
D&SheaCo LLC	Oklahoma	6774 Hummingbird Ct.	Owasso	OK	74055	(918) 691-9500
Morbux, LLC	Oklahoma	11712 Charleston Way	Yukon	OK	73099	(405) 323-2915
NAWWAL, INC.	Oregon	244 S 13th Street	Lane County	OR	97424	(541) 520-8343
CJ YO LLC	Oregon	231 SW Manzanita St.	Mcminnville	OR	97128	(503) 474-7399
JIB Ventures LLC	Oregon	7427 SE 29th Ave	Portland	OR	97202	(503) 307-3814
Oregon Trail Froyo, LLC	Oregon	8135 SW Ellman Ln	Portland	OR	97224	(510) 325-3289
Blaise's Frozen Treats, INC	Oregon	13535 SW 115th Ave	Tigard	OR	97223	(503) 913-5671
HMS IV Corporation	Oregon	975 sw 193rd court	Washington County	OR	97003	(971) 732-2401
Preferred Choice Automation, LLC	Pennsylvania	1287 Mars Evans City Rd	Evans City	PA	16033	(814) 397-6237
Forever Froyo, LLC	Pennsylvania	1865 Augusta Drive	Jamison	PA	18929	(215) 317-5910
Elsayed Enterprises LLC	Pennsylvania	311 S 22ND ST	Lewisburg	PA	17837	(570) 541-8018
SKELENDS EnterPRISES, LLC	Pennsylvania	1842 Madison Dr	Moon Township	PA	15108	(412) 290-4857
RB Froyo Vending, INC	Pennsylvania	1794 Woodridge Court	North Lebanon Township	PA	17046	(717) 821-5054
David Mikula	Pennsylvania	192 Val verda Dr	Pennsylvania Furnace	PA	16865	(814) 574-2888
Richard Torbert	Pennsylvania	705 Zion Church Road	Windsor Township	PA	17356	(717) 968-3831
Adam Todd Siegal	South Carolina	1520 Jefferson Dr	Florence	SC	29501	(843) 229-1800
Zachary Petersen	South Carolina	310 Seaport Lane Apt 2212	Mount Pleasant	SC	29464	(843) 725-9853
Norman Cheung	Tennessee	1313 Phils Dr	Chattanooga	TN	37421	(423) 771-9419
High Flight Services, LLC	Tennessee	138 Allen Drive	Hendersonville	TN	37075	(615) 594-4735
Michael Rush	Tennessee	2513 Glasgow Station Rd.	Kingsport	TN	37664	(423) 765-8690
Nima Kioumarsi	Tennessee	1111 Anthem View Ln	Knox County	TN	37922	(865) 748-3552

Franchisee	State(s) where Robots to be operated[1]	Business Address	City	State	Zip	Business Telephone
Iceberg of Ten Inc.	Tennessee	1485 Kirby Pkwy	Memphis	TN	38120	(901) 721-5822
Froyo of Nashville, LLC	Tennessee	4029 Liberton Way	Nolensville	TN	37135	(601) 954-0501
Michael McIntyre	Tennessee	1004 Danby Trace Drive	Spring Hill	TN	37179	(615) 308-9995
Jerry Meador	Texas	358 Southwind Circle	Abilene	TX	79602	(325) 793-1082
Shashidhar Nannapaneni	Texas	2204 Emmett Pkwy	Austin	TX	78728	(512) 689-9939
Robert J. Brown	Texas	10207 Clearance	Boerne	TX	78006	(832) 428-8620
jennifereckert1@gmail.com	Texas	3816 Arrow Wood Rd	Cedar Park	TX	78613	(512) 417-3456
Mike Tyll	Texas	2109 Zeppelin Dr	Cedar Park	TX	78613	(512) 968-3660
Sprinkles Froyo, Inc	Texas	4000 Preston Lakes Circle	Celina	TX	75009	(469) 403-3163
Sapana Patel	Texas	2107 N. Main St.	Cleburne	TX	76033	(214) 684-2339
Frozen Treats Vending, LLC	Texas	20103 Stanton Lake Dr	Cypress	TX	77433	(281) 856-9921
Robert Henderson	Texas	8607 Midway Road	Dallas	TX	75209	(214) 642-0078
Bonorum LLC	Texas	3831 Royal Lane	Dallas	TX	75229	(214) 529-3733
Randy Michaelis	Texas	404 Lancashire Dr	Flower Mound	TX	75028	(214) 529-3526
MSCB VENTURES, LLC	Texas	7102 Pecan Chase Lane	Frisco	TX	75034	(432) 934-8680
JME Macklin Group LLC	Texas	2194 Kennedy Dr	Frisco	TX	75034	(214) 562-1573
Rajesh Bansal	Texas	5314 Chatham hill lane	Houston	TX	77084	(281) 570-5018
RADII Vending LLC	Texas	5225 Las Colinas Blvd Apt 2053	Irving	TX	75061	(469) 610-8769
James Johnson	Texas	707 Lakeway Dr	Keller	TX	76248	(817) 983-1776
Mollie Bliss	Texas	1707 Ute Trail B	Killeen	TX	76548	(856) 685-0519
David Roberts	Texas	3801 Holly Ridge	Longview	TX	75605	(903) 452-0223
Brandon Key	Texas	3407 Oak Ridge Avenue	Lubbock	TX	79407	(806) 787-4394
Shane Snow	Texas	1710 Harvard Ave	Midland	TX	79701	(432) 638-1620
Shiwei Zheng	Texas	4510 Edenderry Ct	Missouri City	TX	77459	(832) 646-1821
Howell & McLean Investments, LLC	Texas	2915 Colonial Drive	Nacogdoches	TX	75965	(281) 798-6772
Houston FroYo, LLC	Texas	2527 Sunday House Court	Pearland	TX	77584	(281) 630-1313
Brian Cass	Texas	5805 Orchard Trail Dr.	Pearland	TX	77581	(713) 392-2766
Ayaan & Aryana, LLC	Texas	24152 Burks Trail Dr	Porter	TX	77365	NA
RE Santos Investments LLC	Texas	1712 Margarita Lane	RioBravo	TX	78046	(956) 774-7705
Tamara Sharff	Texas	1345 ridge road apt #244	Rockwall	TX	75087	(817) 371-4411
KLM Vending Solutions	Texas	3070 Colorado Cove	San Antonio	TX	78253	(518) 593-9110
Frobot, LLC	Texas	21218 Rio Sabinal	San Antonio	TX	78259	(915) 244-2079
Oscar Hernandez	Texas	7818 Valmont Dr	San Antonio	TX	78240	(214) 300-1351
KLS Ventures, LLC	Texas	5907 Akin Place	San Antonio	TX	78261	(210) 781-9259
Gorman Solutions, LLC	Texas	3432 Estate Dr.	Schertz	TX	78154	(210) 789-2261
WXY, LLC	Texas	21819 Colter Stone Dr	Spring	TX	77388	(512) 296-3699
ServBotz of Texas, LLC	Texas	1043 S Walnut Drive	Trinity	TX	75862	(972) 820-5779
Charles Boyd	Texas	791 FM 217	Valley Mills	TX	76689	(254) 832-5264
Jennifer Pesci	Utah	954 E Deer Arch Ln	Draper	UT	84020	(801) 808-5211
Kyle Taylor	Utah	13244 Cherry Crest Dr	Draper	UT	84020	(801) 706-6646
Stirland Enterprises, L.L.C.	Utah	4276 Main St	Murray	UT	84107	(801) 707-0594
Patrice Thabault	Vermont	67 Bittersweet Lane	Burlington	VT	5401	(802) 238-5123
Yajur Ventures LLC	Virginia	1712 Margie Dr	Mc Lean	VA	22101	(571) 265-9427

Franchisee	State(s) where Robots to be operated[1]	Business Address	City	State	Zip	Business Telephone
Semistyle Inc. DBA Frosty YOTOGO	Virginia	290 Hidden Creek Ln	Warrenton	VA	20186	(703) 508-0564
Kevin Sharman	Washington	8331 NE 156th St.	Kenmore	WA	98028	(425) 828-0550
Brian Callahan	Wisconsin	2454 N. 96th Street	Milwaukee	WI	53226	(414) 975-0235
Madtownfroyo LLC	Wisconsin	8576 Davis St	Verona	WI	53593	(608) 695-6650

Notes:

(1) This column represents the state(s) where the Robots are or will be located. If more than one state is listed in this column, then that indicates that a franchisee will operate Robots in each of the states listed.

EXHIBIT F

LIST OF FORMER FRANCHISEES

Exhibit F
List of Former Franchisees

Franchisees who left the system during the fiscal year ended June 30, 2018, or who have not communicated with us within 10 weeks of the issuance date of the Disclosure Document

Franchisee	City	State	Business Telephone
Copper, Bob	Birmingham	AL	(727) 656-7961
Johnston, William III	Huntsville	AL	(256) 665-4854
Harper, Rowan	Scottsdale	AZ	(949) 395-6102
CMPGTP PROPERTIES, LLC	Scottsdale	AZ	(702) 419-7658
Analytical Instrument Services Inc	Anaheim	CA	(951) 870-6950
FROYO, LLC	Colorado Springs	CO	(719) 266-9852
Stetler, Mark	Durango	CO	(970) 560-2871
FROYOBOT, LLC	Littleton	CO	(303) 618-4182
Ingham, Fred	Lone Tree	CO	(303) 883-7685
SouthFloridaVending LLC	Cutler Bay	FL	(305) 389-4747
Matthys, Kenneth & Karen	Indialantic	FL	(321) 795-3244
Lundy, Steve	Windermere	FL	(407) 758-6211
Soong, Caleb	Suwanee	GA	(678) 472-5570
Lyons Investments LLC	Kapolei	HI	(808) 389-2906
J&S Vending LLC	Waipahu	HI	(808) 375-2205
Christmas Decor by Lakeshore Lighting LLC	Chicago	IL	(616) 890-3194
Ferrill, Scott	Clarendon Hills	IL	(708) 369-1958
Penny, Robert	Lafayette	LA	(337) 255-3007
Register, J.C.	Mandeville	LA	(504) 494-6600
Gulf States Vending, LLC	Thibodaux	LA	(985) 414-5620
Ice Dreams Inc.	Fall River	MA	(401) 649-2450
Cossick, Timothy	Columbia	MD	(443) 890-1014
MIM Future Enterprises LLC	Mt Airy	MD	(410) 627-7905
Makled, Mike	Dearborn	MI	(313) 575-4442
PoeFolks Foods LLC	New Boston	MI	(313) 585-6564
Robot Cellar, LLC	Cape Girardeau	MO	(573) 450-7912
Monty, David	Holly Springs	NC	(919) 673-9662
Wendam Enterprises, Inc.	Bismarck	ND	(701) 729-1763
Eisenman, David	Westfield	NJ	(201) 665-3997
Howerton, David	Beavercreek	OH	(757) 818-8807
Brink Remco Ten	Loveland	OH	(804) 241-5653

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

Franchisee	City	State	Business Telephone
Retail Marketing Solutions, LLC	Mason	OH	(440) 570-3005
Roshambo Vending LLC	Kingston	TN	(865) 388-1733
Froyogogo, LLC	Austin	TX	(865) 567-3004
Robo Froyo Frisco LLC	Frisco	TX	(303) 257-6029
B&B Joint Ventures, LLC	Frisco	TX	(409) 223-2828
Bennett, Isaac	Houston	TX	(309) 712-1587
A+R+M Ventures, LLC	Houston	TX	(281) 802-6940
Clearbrook Fro Yo, LLC	Kennedale	TX	(817) 637-5569
Syed, Zaki	Plano	TX	(201) 686-5211
Childree, Mary	Trophy Club	TX	(817) 819-8675
Gililland, Tony	Wolfforth	TX	(806) 789-6766
VendJoy, LLC	Mapleton	UT	(801) 647-0845
Brubaker, Jared	Salt Lake City	UT	(801) 699-8813
Ibrahim LLC	Alexandria	VA	(571) 581-0405
Rehman, Tauseef	Fairfax	VA	(240) 605-7939
Drake, Christopher	Suffolk	VA	(618) 781-9650
Healthy Nutrition Marketing LLC	Bellevue	WA	(477) 771-1000
Lam, Man and Heidenreich, Landon	Richland	WA	(509) 303-9550
Spink, Heather	Richland	WA	(509) 948-1303
McCrea, Timothy	Seattle	WA	(206) 778-3931
Huck, Chris	Spokane	WA	(509) 710-6794

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

EXHIBIT G

REPRESENTATIONS AND ACKNOWLEDGMENT STATEMENT

REPRESENTATIONS AND ACKNOWLEDGMENT STATEMENT

The purpose of this Statement is to demonstrate to **Reis & Irvy's, Inc.** ("Franchisor") that each person signing below ("I," "me" or "my"), whether acting individually or on behalf of any legal entity established to acquire the franchise rights ("Franchisee"), (a) fully understands that the purchase of a Reis & Irvy's franchise is a significant long-term commitment, complete with its associated risks, and (b) is not relying on any promises, statements, representations, or assurances that are not specifically set forth in Franchisor's Franchise Disclosure Document and Exhibits (collectively, the "FDD") in deciding to purchase the franchise.

In that regard, I represent to Franchisor and acknowledge that:

I understand that buying a franchise is not a guarantee of success. Purchasing or establishing any business is risky, and the success or failure of the franchise is subject to many variables over which Franchisor has no control such as my skills and abilities (and those of my partners, officers, employees), the time my associates and I devote to the business, competition, interest rates, the economy, inflation, operation costs, location, lease terms, the market place generally and other economic and business factors. I am aware of and am willing to undertake these business risks. I understand that the success or failure of my business will depend primarily upon my efforts and not those of Franchisor.	INITIAL:
I received a copy of the FDD, including the Franchise Agreement, at least 14 calendar days (10 business days in Michigan and New York) before I executed the Franchise Agreement. I understand that all of my rights and responsibilities and those of Franchisor in connection with the franchise are set forth in these documents and only in these documents. I acknowledge that I have had the opportunity to personally and carefully review these documents and have, in fact, done so. I have been advised to have professionals (such as lawyers and accountants) review the documents for me and to have them help me understand these documents. I have also been advised to consult with other franchisees regarding the risks associated with the purchase of the franchise.	INITIAL:
Neither the Franchisor nor any of its officers, employees or agents (including any franchise broker) has made a promise, statement, or assurance to me concerning any matter related to the franchise (including those regarding advertising, marketing, training, support service or assistance provided by Franchisor) that is contrary to, or different from, the information contained in the FDD.	INITIAL:
My decision to purchase the franchise has not been influenced by any oral representations, assurances, warranties, guarantees or promises whatsoever made by the Franchisor or any of its officers, employees or agents (including any franchise broker), including as to the likelihood of success of the franchise.	INITIAL:

I have made my own independent determination as to whether I have the capital necessary to fund the business and my living expenses, particularly during the start-up phase. INITIAL:

SPECIAL REPRESENTATION REGARDING RECEIPT OF FINANCIAL INFORMATION.

PLEASE READ THE FOLLOWING QUESTION CAREFULLY. THEN SELECT YES OR NO AND PLACE YOUR INITIALS WHERE INDICATED.

Have you received any information from the Franchisor or any of its officers, employees or agents (including any franchise broker) concerning actual, average, projected or forecasted sales, revenues, income, profits or earnings of the franchise business (including any promise, statement, or assurance concerning the likelihood of success) other than information contained in the FDD?

□ Yes □ No (INSERT INITIAL HERE:__________)

If you selected "Yes," please describe the information you received on the lines below:

____

____

Prohibited Parties Clause. I acknowledge that Franchisor, its employees and its agents are subject to U.S. laws that prohibit or restrict (a) transactions with certain parties, and (b) the conduct of transactions involving certain foreign parties. These laws include, without limitation, U.S. Executive Order 13224, the U.S. Foreign Corrupt Practices Act, the Bank Secrecy Act, the International Money Laundering Abatement and Anti-terrorism Financing Act, the Export Administration Act, the Arms Export Control Act, the U.S. Patriot Act, and the International Economic Emergency Powers Act, and the regulations issued pursuant to these and other U.S. laws. As part of the express consideration for the purchase of the franchise, I represent that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been listed on:

1. the U.S. Treasury Department's List of Specially Designated Nationals;
2. the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders;
3. the U.S. State Department's Debarred List or Nonproliferation Sanctions; or
4. the Annex to U.S. Executive Order 13224.

I warrant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been: (i) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or (ii) is owned or controlled by terrorists or sponsors of terrorism. I warrant that I am now, and have been, in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by me to Franchisor were legally obtained in compliance with these laws.

I further covenant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, will, during the term of the Franchise Agreement, become a person or entity described above or otherwise become a target of any anti-terrorism law.

If the Reis & Irvy's robots that you will operate in connection with the franchise will be located in Maryland or if you are a resident of Maryland, the following will apply:

> The representations made in this Representations and Acknowledgment Statement are not intended to, nor shall they act as a release, estoppels, or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

FRANCHISEE:

____
____

[ ] an individual;
[ ] a general partnership;
[ ] a limited partnership;
[ ] a limited liability company;
[ ] a corporation

By:______________________________
Its:______________________________

EXHIBIT H

FINANCIAL STATEMENTS

INDEX TO FINANCIAL STATEMENTS

Fresh Healthy Vending International, Inc. and Subsidiaries

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BENJAMIN & YOUNG, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
Generation Next Franchise Brands, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Generation Next Franchise Brands, Inc. and subsidiaries (the "Company") as of June 30, 2018, and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2018, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the auditing standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Benjamin & Young, LLP

We have served as the Company's auditor since 2018.
Irvine CA, California
October 19, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Generation Next Franchise Brands, Inc.
(Formerly Fresh Healthy Vending International, Inc.)

We have audited the accompanying consolidated balance sheet of Generation Next Franchise Brands, Inc. (Formerly Fresh Healthy Vending International, Inc.) (the "Company") as of June 30, 2017, and the related consolidated statements of operations, changes in stockholders' deficit and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2017, and the consolidated results of its operations, its changes in stockholders' deficit and its cash flows for each of the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Anton & Chia, LLP
Newport Beach, California
September 29, 2017

GENERATION NEXT FRANCHISE BRANDS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
For the years ended June 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash	$ 10,044,084	$ 1,751,022
Restricted cash	3,712,194	1,500
Accounts receivable, net of allowance for doubtful accounts of approximately $174,000 and $198,000, respectively	72,579	315,959
Contract assets - due from franchisees	7,250,951	12,631,652
Stock subscriptions receivable	300,000	-
Inventory on-hand, net of allowance for obsolete inventory of $400,000 and $50,000, respectively	3,257,780	448,809
Deposit for inventory	5,152,897	-
Prepaid expenses and other current assets	70,149	305,508
Total current assets	29,860,634	15,454,450
Property and equipment, less accumulated depreciation of $115,889 and $70,181	199,791	154,246
Intangible assets, net of accumulated amortization of $686,052 and $294,609	1,870,124	2,261,567
Deposits	45,404	32,904
Total assets	$ 31,975,953	$ 17,903,167
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued liabilities	$ 4,811,706	$ 2,727,873
Contract liabilities - franchisees advances and deferred revenues	37,737,460	25,042,850
Provision for franchisee rescissions and refunds	2,420,121	2,492,618
Accrued personnel expenses	553,314	391,072
Notes payable, net of discount of $49,716 and $169,542, respectively	879,017	1,710,291
Derivative liability	-	560,007
Contingent liability	200,000	200,000
Due to related party	536,786	649,966
Deferred rent	34,541	19,375
Total current liabilities	47,172,945	33,794,052
Notes payable - long term, net of discount of $49,710 and $0, respectively	736,115	1,333,333
Commitments and contingencies (Note 11)		
Stockholders' deficit:		
~~Preferred stock, $0.001 par value; 25 million shares authorized; no shares issued and outstanding~~	-	-
~~Common stock, $0.001 par value; 100 million shares authorized; 69,378,052 and 34,826,646 outstanding, respectively~~	~~69,376~~	~~34,825~~
~~Additional paid in capital~~	~~27,515,602~~	~~6,722,850~~
~~Accumulated deficit~~	~~(43,518,085)~~	~~(23,981,893)~~
Total stockholders' deficit	(15,933,107)	(17,224,218)
Total liabilities and stockholders' deficit	$ 31,975,953	$ 17,903,167

See accompanying notes to the consolidated financial statements.

GENERATION NEXT FRANCHISE BRANDS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
For the years ended June 30, 2018 and 2017

	2018	2017
Revenues:		
Frozen yogurt robot sales	$ 137,029	$ -
Vending machine sales, net	178,111	3,346,776
Franchise fees	29,225	307,159
Royalties	296,422	372,042
Company owned machine sales	165,686	140,690
Agency sales, net	59,659	88,826
Other	24,462	22,895
Total revenue	890,594	4,278,388
Cost of revenues	442,488	1,960,074
Gross margin	448,106	2,318,314
Operating expenses:		
Personnel	4,741,278	4,062,660
Marketing	4,520,600	2,289,465
Professional fees	551,099	1,218,960
Insurance	335,658	262,969
Rent	229,907	228,714
Depreciation and amortization	437,150	243,416
Stock compensation	1,636,491	401,878
Research and development	5,184,587	1,637,484
Provision for legal settlement	412,656	1,056,629
Other	1,409,811	1,398,509
Total operating expenses	19,459,237	12,800,684
Loss from operations	(19,011,131)	(10,482,370)
Other expenses:		
Interest expense	(300,258)	(558,145)
Derivative liability expense	(220,003)	(223,980)
Total other expenses	(520,261)	(782,125)
Loss before provision for income taxes	(19,531,392)	(11,264,495)
Provision for income taxes	4,800	4,800
Net loss	$ (19,536,192)	$ (11,269,295)
Net loss per share - basic and diluted	$ (0.41)	$ (0.39)
Weighted average shares used in computing net loss per share - basic and diluted	47,615,411	29,252,793

See accompanying notes to the consolidated financial statements.

GENERATION NEXT FRANCHISE BRANDS, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Deficit
For the years ended June 30, 2018 and 2017

	Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
Balance at June 30, 2016	27,978,580	$ 27,977	$ 3,242,189	$ (12,712,598)	$ (9,442,432)
Issuance of common stock for cash	5,285,000	5,285	2,637,215		2,642,500
Conversion of franchise liability and note payable to common stock	1,325,821	1,326	210,805		212,131
Common stock issued in connection with notes payable	75,000	75	56,925		57,000
Exercise of stock options	162,245	162	(162)		-
Stock-based compensation			401,878		401,878
Value of warrant issued in connection with notes payable			174,000		174,000
Net loss				(11,269,295)	(11,269,295)
Balance at June 30, 2017	34,826,646	34,825	6,722,850	(23,981,893)	(17,224,218)
Issuance of common stock for cash, net of issuance costs of approximately $2,084,000	30,303,232	30,303	16,332,206		16,362,509
Conversion of notes payable to common stock	2,767,782	2,768	440,077		442,845
Cashless exercise of stock options	627,977	628	(628)		-
Stock issued for services	502,415	502	1,160,946		1,161,448
Legal settlement	150,000	150	143,850		144,000
Stock subscriptions receivable	200,000	200	299,800		300,000
Stock-based compensation			1,636,491		1,636,491
Extinguishment of derivative liability			780,010		780,010
Net loss				(19,536,192)	(19,536,192)
Balance at June 30, 2018	69,378,052	$ 69,376	$ 27,515,602	$ (43,518,085)	$ (15,933,107)

See accompanying notes to the consolidated financial statements.

GENERATION NEXT FRANCHISE BRANDS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Net loss	$ (19,536,192)	$ (11,269,295)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amortization	437,150	243,416
Interest accretion on notes payable	70,116	300,224
Loss on derivative liability	220,003	223,980
Stock-based compensation	1,636,491	401,878
Deferred rent	15,166	7,878
Write-off of accounts receivable	67,560	-
Bad debt expense	(24,699)	38,063
Provision for obsolete inventory	350,000	-
Stock issued for services	1,161,448	
Gain on sale of property and equipment		(2,658)
Changes in operating assets and liabilities:		
Accounts receivable	200,519	2,357,324
Contract assets - due from franchisees	5,380,701	(12,631,652)
Inventory on-hand	(3,158,971)	264,461
Prepaid inventory	(5,152,897)	-
Prepaid expenses and other assets	235,359	174,051
Deposits	(12,500)	-
Accounts payable and accrued liabilities	2,215,678	1,600,026
Deferred revenues	12,694,610	16,979,868
Provision for franchisee rescissions and refunds	71,503	848,442
Accrued personnel expenses	162,242	124,146
Cash flows used in operating activities	(2,966,713)	(339,848)
Cash flows from investing activities:		
Purchases of property and equipment	(91,252)	(561,973)
Cash flows used in investing activities	(91,252)	(561,973)
Cash flows from financing activities:		
Proceeds from issuance of notes payable	-	300,000
Payments of notes payable	(1,187,608)	(322,500)
Proceeds from issuance of notes payable to related party	-	209,931
Payments of notes payable to related party	(113,180)	(494,061)
Proceeds from issuance of common stock, net of issuance costs	16,362,509	2,342,500
Cash flows provided by financing activities	15,061,721	2,035,870
Change in cash and restricted cash	12,003,756	1,134,049
Cash and restricted cash, beginning of period	1,752,522	618,473
Cash and restricted cash, end of period	$ 13,756,278	$ 1,752,522
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest expense	$ 93,963	$ 66,867
Income taxes	-	$ 4,800
Supplemental disclosure of non-cash investing and financing activities:		
Extinguishment of derivative liability	$ 780,010	$ -
Conversion of debt and accrued interest into shares of common stock	$ 442,845	$ 174,000
Stock subscription receivable	$ 300,000	$ 300,000
Cashless exercise of options	$ 628	$ 162
Issuance of share of common stock for settlement of provision for franchisee rescissions and refunds	$ 144,000	$ -
Issuance of common stock in lieu of franchise liability and debt payments	$ -	$ 212,131
Note payable issued for purchase of intangible asset	$ -	$ 2,000,000
Issuance of common stock with bridge loan	$ -	$ 57,000
Debt discount	$ -	$ 276,000

See accompanying notes to the consolidated financial statements.

GENERATION NEXT FRANCHISE BRANDS, INC. AND SUBSIDIARIES
(FORMERLY KNOWN AS FRESH HEALTHY VENDING INTERNATIONAL, INC.)
Notes to Consolidated Financial Statements

1. Organization and description of business

Generation NEXT Franchise Brands, Inc. (formerly known as Fresh Healthy Vending International, Inc. and referred to herein collectively with its subsidiaries as "we", the "Company", "our Company", or "GNext") operates through its wholly-owned subsidiaries, Fresh Healthy Vending LLC ("FHV LLC"), The Fresh and Healthy Vending Corporation, FHV Acquisition Corp. ("FHV Acquisition"), Reis & Irvy's, Inc. ("R&I"), 19 Degrees, Inc. and Generation Next Vending Robots, Inc. as a franchisor, direct seller and owner and operator of robotic soft serve vending kiosks, healthy drink and snack vending machines and micro markets that feature cashless payment devices and remote monitoring software. The Company uses in-house location specialists that are responsible for securing locations for its franchisees; additionally, the Company has negotiated discounts with a national product distribution chain. The Company also operates its own frozen yogurt equipment. Effective May 2016, the Company shifted focus away from franchise sales of its healthy drink and snack vending machines and micro markets. We will no longer market our vending machines and micro markets to new franchisees. Because it was determined the assets of FHV LLC are currently insufficient to satisfy FHV LLC's obligations to creditors, as of September 28, 2018, FHV LLC has executed an Assignment for the Benefit of Creditors under California law, whereby all of the assets of FHV LLC have been assigned to a third party fiduciary who will expeditiously liquidate such assets and distribute the proceeds thereof to FHV LLC's creditors pursuant to the priorities established and permitted by law.

During fiscal year 2017, we obtained the exclusive rights to sell a new frozen yogurt vending robot, branded Reis & Irvy's. As of the date of this report, we have received approval to sell franchises in a number of states in the U.S. and Canada and have booked a net 1,417 units aggregating approximately $59 million in customer advances-due from franchisees and contract liabilities- franchisees advances and deferred revenues, prior to certain offset adjustments aggregating 10.3 million. As of June 30, 2018, and through the date of this report, the Company has delivered and installed 75 frozen yogurt vending machines. The Company has redeveloped the next generation frozen yogurt robot and has spent $5.2 million in research and development expenses through June 30, 2018. The Company anticipates it will continue to incur additional research and development expenses throughout fiscal 2019.

On December 29, 2016, the Company entered into an Asset Purchase Agreement (the "Agreement") with Robofusion, Inc. ("RFI"), whereby the Company acquired the intellectual property assets of RFI, a developer of robotic-kiosk vending technology, primarily frozen yogurt and ice cream vending robots, using RFI's trademarked name of Reis & Irvy's (the "Acquisition"). The Company considered the guidance in ASC 805, *Business Combinations*, and determined the transaction was a purchase of an asset. As a result, the estimated fair of the assets acquired were capitalized. The intent of the purchase was to combine robotics and artificial intelligence platforms to facilitate the manufacture of an unattended robot in order to disrupt traditional frozen yogurt and ice cream retail establishments and, on a larger scale, establish ourselves as an industry leader in the emerging and fast-growing space of unattended retail. Since acquisition, we have developed a state-of-the art robotic soft serve vending robot that is a completely unique vending machine and entertainment experience. The robot accepts cash, credit cards, and is the first of its kind to accept bitcoin. A proprietary software platform is utilized that allows us to readily monitor the sales of our franchisees' and our corporate-owned machines, which assists our franchisees and us in facilitating the management and maintenance of the vending robot. In order to protect the Company's rights, several U.S. and international patents have been approved and granted. Our vending standards are UL ("Underwriters Laboratories") (approval in process), NSF ("National Sanitation Foundation") recognized (approved in August 2018), and National Automated Merchandising Association ("NAMA") certified (approved in September 2018), which we believe are among the highest standards in the industry. This ensures food temperature compliance, which includes auto-contingency processes should electrical or hardware malfunction; it also ensures that ambient air stays within specified parameters at all times. Our third-party cashless payment technology provides the highest level of data and network security compliance while ensuring complete transparency. As a result, our robotic soft serve vending robots will contain minimal amounts of cash. All transactions are managed by third parties to facilitate financial compliance with local and national laws and regulations. Funds from all electronic transactions are collected by Reis & Irvy's and remitted to the franchisee within ten days of the subsequent month.

2. Summary of significant accounting policies

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the Company's financial statements. The consolidated financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP") and the rules and regulations of the Securities and Exchange Commission ("SEC").

Liquidity and capital resources

For the year ended June 30, 2018 we had a net loss totaling approximately $19,536,000 with negative cash flows from operations totaling approximately $2,967,000. Our cash balance at June 30, 2018 was approximately $10,044,000. Since the date of the closing of the FHV Acquisition, our sales were less than anticipated and the resulting cash flows from franchise sales were not sufficient to cover expenditures associated with our daily operations resulting in a substantial decrease in our cash balances and an increase in our outstanding debt. Also, we used cash on hand to retire liabilities associated with the franchise rescissions, for research and development expenditures related to our robotic soft serve vending kiosks and for the purchase of robot inventory. In order to ensure sufficient liquidity for our continuing operations, we will require additional capital financing in the form of either debt or equity (or a combination thereof) financing. During fiscal year 2018 and through the date of this report, the Company raised approximately $17.6 million through the sale of common stock. Furthermore, the Company anticipates generating a significant amount of our required capital resources from deposits on sales of new franchises and royalties from existing and future franchise installs. If additional funds are required, management believes that it will be able to obtain such financing on terms acceptable to the Company, although there can be no assurance that we will be successful.

Our current plans include research and development expenditures for the production of the next generation robot, payments required for the purchase of the Robofusion intellectual property (previous owner of the frozen yogurt robot intellectual property) capital expenditures for the purchase of corporate-owned and operated robotic soft serve vending kiosks as well as the repurchase of machines from franchisees opting to rescind their franchise agreements. Given our current cash position, we may be forced to curtail our plans by delaying or suspending the production and purchase of robotic soft serve vending kiosks until such time that we may able to prepay for the robots.

Principles of consolidation

The consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiaries; Reis & Irvy's, Inc., FHV LLC, 19 Degrees, Inc., Generation Next Vending Robots, The Fresh and Healthy Vending Corporation, and FHV Acquisition, Corp. All significant intercompany accounts and transactions are eliminated.

Reclassification

Certain amounts in the 2017 financial statements have been reclassed to conform with the 2018 presentation.

Use of estimates

The preparation of our Company's financial statements 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 our financial statements and the reported amounts of revenues, costs and expenses during the reporting period. Actual results could differ significantly from those estimates. Significant estimates include our provisions for bad debts; franchisee rescissions and refunds; legal estimates, stock based compensation, derivative liability and the valuation allowance on deferred income tax assets. It is at least reasonably possible that a change in the estimates will occur in the near term.

Cash and cash equivalents

All investments with an original maturity of three months or less are considered to be cash equivalents. Cash equivalents primarily represent funds invested in money market funds, bank certificates of deposit and U.S. government debt securities whose cost equals fair market value. We had no cash equivalents at June 30, 2018 and 2017. We may maintain our cash and cash equivalents in amounts that may, at times, exceed federally insured limits. At June 30, 2018, bank balances, per our bank, exceeding federally insured limits totaled approximately $9,201,000. We have not experienced any losses with respect to cash, and we believe our Company is not exposed to any significant credit risk with respect to our cash.

Certain states require the Company to maintain customer deposits in escrow accounts until the Company has substantially performed its obligations. Furthermore, certain franchisees have elected to pay their remaining balance due directly to an escrow account for the beneficiary of the Company's contract manufacturer and inventory suppliers. At June 30, 2018 and 2017, the Company had approximately $3,712,000 and $1,000, respectively maintained in escrow accounts for these purposes.

Accounts receivable, net

Accounts receivable arise primarily from royalties and are carried at their estimated collectible amounts, net of any estimated allowances for doubtful accounts. We grant unsecured credit to our customers (located throughout North America, the Bahamas and Puerto Rico) deemed credit worthy. Ongoing credit evaluations are performed and potential credit losses estimated by management are charged to operations on a regular basis. At the time any particular account receivable is deemed uncollectible, the balance is charged to the allowance for doubtful accounts. Our allowance for doubtful accounts aggregated approximately $174,000 and $198,000 at June 30, 2018 and 2017, respectively.

Inventory

Inventory is carried at the lower of cost or market, with cost determined using the average cost method.

Property and equipment

Property and equipment are carried at cost and depreciated using the straight-line method over their estimated useful lives of the individual assets, generally five to seven years. Leasehold improvements are amortized over the lesser of the term of the related lease or the estimated useful life of the asset. Costs incurred for maintenance and repairs are expensed as incurred and expenditures for major replacements and improvements are capitalized and depreciated over their estimated remaining useful lives.

Intangible assets

Intangible assets consist primarily of patents, trademarks and trade names. Amortization of intangible assets is recorded as amortization expense in the consolidated statements of operations and amortized over the respective useful lives using the straight-line method.

Impairment of long-lived assets

Impairment losses are recognized on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the estimated fair value of the assets. There were no impairments of long-lived assets for the years ended June 30, 2018 and 2017, respectively.

Deferred rent

The Company entered into an operating lease for our corporate offices in San Diego, California that contains provisions for future rent increases, leasehold improvement allowances and rent abatements. We record monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between the rent expense recorded and the amount paid is credited or charged to deferred rent, which is reflected as a separate line item in the accompanying consolidated balance sheet.

Derivatives and Hedging

In April 2008, the FASB issued a pronouncement that provides guidance on determining what types of instruments or embedded features in an instrument held by a reporting entity can be considered indexed to its own stock for the purpose of evaluating the first criteria of the scope exception in the pronouncement on accounting for derivatives. This pronouncement was effective for financial statements issued for fiscal years beginning after December 15, 2008. The adoption of these requirements can affect the accounting for many convertible instruments with provisions that protect holders from a decline in the stock price. Each reporting period, the Company evaluates whether convertible debt to acquire stock of the Company contains provisions that protect holders from declines in the stock price or otherwise could result in modification of the conversion price under the respective convertible debt agreements. The Company determined that the conversion feature in the convertible notes issued contained such provisions and recorded such instruments as derivative liabilities.

The fair value of derivative instruments is recorded and shown separately under current liabilities. Changes in fair value are recorded in the consolidated statements of operations under other income (expenses).

The accounting treatment of derivative financial instruments requires that the Company record the embedded conversion option and warrants at their fair values as of the inception date of the agreement and at fair value as of each subsequent balance sheet date. Any change in fair value is recorded as a non-operating, non-cash income or expense for each reporting period at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification.

The Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instruments are initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. For stock-based derivative financial instruments, the Company uses the Black-Sholes option pricing model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within twelve months of the balance sheet date.

Revenue, contract liabilities – franchisees advances and deferred revenue, and contract assets – due from franchisees

The Company relies upon ASC 606, *Revenue from Contracts with Customers*, to recognize revenue, contract liabilities-deposits from franchisees and contract assets-due from franchisees.

Reis & Irvy's, Inc

The primary revenue sources consisted of the following:

- Robotic soft serve vending kiosks
- Franchise fees.

Revenues from robotic soft serve vending kiosks and franchise fees are recognized when the Company has substantially performed or satisfied all material services or conditions relating to the franchise agreement. Substantial performance has occurred when: 1) no remaining obligations are unfulfilled under the franchise agreement; 2) there is no intent to refund any cash received or to forgive any unpaid amounts due from franchisees; 3) all of the initial services in the franchise agreement have been performed; and 4) all other material conditions or obligations have been met. In June 2018, four robotic soft serve vending kiosks were installed and operational, and the Company had no further material conditions or obligations. During the year ended June 30, 2018, the Company recognized revenue of approximately $137,000 for robotic soft serve vending kiosks and approximately $14,000 in franchise fees.

Upon the execution of a franchise agreement, a deposit from the franchisee is required, and generally consists of 40% - 50% of the sales price of the frozen yogurt and ice cream robots, 50% - 100% of the initial franchise fees, and 40% - 50% of location fees. In accordance with ASC 606, the Company recognizes the contract as a contract liability – customer deposits and deferred revenue when the Company receives consideration or is due consideration. As of June 30, 2018 and 2017, the Company's customer advances and deferred revenues were approximately $37,737,000 and $25,043,000, respectively.

The Company recognizes contract assets – due from franchisees when the Company has an unconditional right to consideration. As of June 30, 2018 and 2017, the Company's contract assets – due from franchisees was approximately $7,251,000 and $12,632,000, respectively.

Fresh Healthy Vending, LLC

The primary revenue sources consisted of the following:

- Vending machine sales.
- Franchise fees.
- Monthly royalties.

Revenues from vending machine sales and franchise fees are recognized when the Company has substantially performed or satisfied all material services or conditions relating to the franchise agreement. Substantial performance has occurred when: 1) no remaining obligations are unfulfilled under the franchise agreement; 2) there is no intent to refund any cash received or to forgive any unpaid amounts due from franchisees; 3) all of the initial services in the franchise agreement have been performed; and 4) all other material conditions or obligations have been met. During 2018 the Company recognized approximately $178,000 of vending machine sales and approximately $15,000 in franchise fees. During 2017 the Company recognized approximately $3,347,000 of vending machine sales and approximately $307,000 in franchise fees.

Revenue from monthly royalties are recognized when earned. During 2018 and 2017, the Company recognized royalties of approximately $296,000 and $372,000, respectively.

Net agency revenues for the sales of food and beverages are recognized when earned. During 2018 and 2017, approximately $60,000 and $89,000, respectively was recognized for net agency revenues.

Upon the execution of a franchise agreement, a deposit from the franchisee is required, and generally consists of 40% of amounts due for vending machines plus 100% of the initial franchise fees. In accordance with ASC 606, the Company recognizes the contract as a contract liability – deposits from franchisees and sales taxes payable when the contract is signed.

The Company recognizes contract assets – due from franchisees when the contract is executed. As of June 30, 2018 and 2017, the Company recognized no contract assets – due from franchisees.

Because it was determined the assets of FHV LLC are currently insufficient to satisfy FHV LLC's obligations to creditors, as of September 28, 2018, FHV LLC has executed an Assignment for the Benefit of Creditors under California law, whereby all of the assets of FHV LLC have been assigned to a third party fiduciary who will expeditiously liquidate such assets and distribute the proceeds thereof to FHV LLC's creditors pursuant to the priorities established and permitted by law.

19 Degrees

The Company recognizes revenue from the sale of products from company-owned robotic soft serve vending kiosks when pro ducts are purchased. During 2018 and 2017, the Company recognized approximately $166,000 and $141,000, respectively.

The Company recognizes the value of company-owned machines as inventory when purchased. Subsequent to installation, the purchased cost is recognized in fixed assets and depreciated over its estimated useful life. As of June 30, 2018, there were four company-owned robotic soft serve vending kiosks included in fixed assets.

Generation Next Vending Robots

The Company recognizes revenue from the direct sale of robotic soft serve vending kiosks when the machines are installed and operational. During 2018 and 2017, there were no revenues from the direct sale of robots.

It is not the Company's policy to allow for returns, discounts or warranties to our franchisees. Under certain circumstances, including as the result of regulatory action, the Company may become obligated to offer our franchisees amounts in rescission to reacquire their existing franchises, including the robotic soft serve vending kiosks Additionally, if the Company is unable to fulfill its obligations under a franchise agreement the Company may, at its sole discretion, agree to refund or reduce part or all of a franchisees payments or commitments to pay.

As of June 30, 2018 and 2017, the Company's provision for Reis & Irvy's franchisee rescissions and refunds totaled approximately $2,420,000 and $2,492,000, respectively. The balance is based on executed termination agreements and an estimate of future terminations.

Marketing and advertising

Marketing and advertising costs are expensed as incurred. There are no existing arrangements under which the Company provides or receives marketing and advertising services from others for any consideration other than cash. Marketing and advertising expense totaled approximately $4,520,000 and $2,289,000 for the years ended June 30, 2018 and 2017, respectively.

Freight costs and fees

Outbound freight charged to customers is recorded as revenue. The related outbound freight costs are considered period costs and charged to cost of revenues.

Research and Development Costs

Research and development costs are expensed as incurred. For the year ended June 30, 2018 and 2017, the Company recorded approximately $5,184,000 and $1,637,000, respectively.

Income taxes

The Company provides for income taxes utilizing the liability method. Under the liability method, current income tax expense or benefit is the amount of income taxes expected to be payable or refundable for the current year. A deferred income tax asset or liability is computed for the expected future impact of differences between the financial reporting and tax bases of assets and liabilities and for the expected future tax benefit to be derived from tax credits. Tax rate changes are reflected in the computation of the income tax provision during the period such changes are enacted.

Deferred tax assets are reduced by a valuation allowance when, in management's opinion, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The Company's valuation allowance is based on available evidence, including its current year operating loss, evaluation of positive and negative evidence with respect to certain specific deferred tax assets including evaluation sources of future taxable income to support the realization of the deferred tax assets. The Company has established a full valuation allowance on the deferred tax assets as of June 30, 2018 and 2017, and therefore has not recognized any income tax benefit or expense (other than the state minimum income tax) for the periods presented.

ASC 740, Income Taxes ("ASC 740"), clarifies the accounting for uncertainty in income taxes recognized in the financial statements. ASC 740 provides that a tax benefit from uncertain tax positions may be recognized when it is more-likely-than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits of the position. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. ASC 740 also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense. There is no accrual for interest or penalties for income taxes on the balance sheets as of June 30, 2018 and 2017, and the Company has not recognized interest and/or penalties in the consolidated statements of operations for the years ended June 30, 2018 and 2017.

Valuation of options and warrants to purchase common stock and share grants

Warrants to purchase common stock are separately valued when issued in connection with notes payable using a binomial quantitative valuation method. The value of such warrants is recognized as a discount from the related notes payable and credited to additional paid-in capital at the time of the issuance of the related notes payable. The value of the discount is applied to the note payable and amortized over the expected term of the note payable using the interest method with the related accretion charged to interest expense.

Share-based compensation to employees is recognized in accordance with ASC 718, using a binomial quantitative valuation method. The resulting compensation expense is recognized in the financial statements on a straight-line basis over the vesting period from the date of grant.

Share-based compensation to non-employees is recognized in accordance with ASC 505, at the estimated fair value until the options or warrants have vested. The resulting compensation expense is recognized on a straight-line basis over the vesting period from the date of grant.

Share grants are measured using a fair value method with the resulting compensation cost recognized in the financial statements. Compensation expense is recognized on a straight-line basis over the service period for the stock awards.

Concentration of credit risk

The Company is subject to credit risk through its accounts receivable consisting primarily of amounts due from franchisees for royalty income, and other products. The financial condition of these franchisees is largely dependent upon the underlying business trends of our brands and market conditions within the vending industry. This concentration of credit risk is mitigated, in part, by the large number of franchisees spread over a large geographical area and the short-term nature of the receivables.

Concentration of manufacturers

Vending machines and micro markets are supplied by a single manufacturer. Although there are a limited number of manufacturers of vending machines and micro markets, we believe that other suppliers could provide similar machines on comparable terms. A change in suppliers, however, could cause a delay in deliveries and a possible loss of sales, which could adversely affect the Company's operating results. Additionally, robotic soft serve vending kiosks are manufactured by one supplier; a change in suppliers could cause a delay in deliveries and possible loss of sales, which could adversely affect the Company's operating results.

Vending food products are primarily supplied by one national distributor. Although there are a limited number of product suppliers with the product selection and distribution capabilities required by the franchise network, other distributors could provide similar products on comparable terms. The Company, and its franchisees, also use supplemental suppliers for their product selections, in addition to the national distributor. A change in suppliers, however, could cause a delay in deliveries and a possible loss of revenue from both current and prospective franchisees, which could adversely affect the Company's operating results.

See Note 11 for purchase commitments from our manufacturers for inventory.

Fair value of financial instruments

The Company follows guidance for accounting for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Additionally, the Company adopted guidance for fair value measurement related to nonfinancial items that are recognized and disclosed at fair value in the financial statements on a nonrecurring basis. The guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability. The Company determined that the derivative liability was a level 3, as the inputs used to determine the estimated fair value were unobservable.

The Company monitors the market conditions and evaluates the fair value hierarchy levels at least quarterly. For any transfers in and out of the levels of the fair value hierarchy, the Company elects to disclose the fair value measurement at the beginning of the reporting period during which the transfer occurred.

The Company's financial instruments consisted of cash, cash in escrow, accounts receivable, accounts payable and accrued liabilities, provision for franchisee rescissions and refunds, accrued personnel expenses, due to related party and notes payable. The estimated fair value of these financial instruments approximate the carrying amount due to the short maturity of these instruments. The recognition of the derivative values of convertible debt are based on the weighted-average Black-Scholes option pricing model.

Net loss per share

The Company calculates basic earnings per share ("EPS") by dividing our net loss by the weighted average number of common shares outstanding for the period, without considering common stock equivalents. Diluted EPS is computed by dividing net income or net loss and comprehensive net loss applicable to common shareholders by the weighted average number of common shares outstanding for the period and the weighted average number of dilutive common stock equivalents. Common stock equivalents are only included in the calculation of diluted EPS when their effect is dilutive.

Segment Information

The Company relies upon ASC 280, *Segment Reporting*, to determine and disclose reportable operating segments, and is organized such that each subsidiary represents a different operating purpose. As a result, the Company analyzed each subsidiary to determine reportable operating segments. In its management of operations, the chief operating decision maker, the Chief Executive Office, Nicholas Yates and Chief Financial Officer, ~~Arthur Budman~~Ryan Polk, reviews subsidiary balance sheets and income statements prepared on a basis consistent with U.S. GAAP.

For the periods presented, the Company determined that Reis and Irvy's, Inc., and FHV, LLC were reportable operating segments, and aggregated Generation Next Franchise Brands, Inc., 19 Degrees, Inc., Generation Next Vending Robots, The Fresh and Healthy Vending Corporation, FHV Acquisition, Corp. and FHV Acquisition, Corp. into the reportable operating segment "Other." Reis & Irvy's, Inc. represents the sale of frozen yogurt and ice cream robots, franchise fees, royalties (12% of gross revenue) and location fees. FHV, LLC represents the sale of fresh and healthy vending machines, franchise fees and royalties.

Franchise information

Franchise statistics for the years ended June 30, 2018 and 2017 are as follows:

	Reis and Irvy's	FHV
Number of franchises at July 1, 2016	28	250
New franchises	161	-
Terminated franchises	(10)	(22)
Number of franchises at June 30, 2017	179	228
New franchises	123	-
Terminated franchises	(12)	(151)
Number of franchises at June 30, 2018	290	77

Franchise agreements generally also provide for continuing royalty fees that are based on monthly gross revenues of each machine. The royalty fee (generally 6% - 12% of gross revenues) compensates our Company for various advisory services and certain merchant fees that we provide to the franchisee on an on-going basis.

New franchisees are generally required to purchase a minimum of three robotic soft serve vending kiosks, or ten vending machines or micro markets. Initial franchise fees are primarily intended to compensate our Company for granting the right to use our Company's trademark and tradenames and patents and to offset the costs of finding locations for vending machines, developing training programs and the operating manual. The term of the initial franchise agreement is generally five to ten years. Options to renew the franchise for additional terms are available for an additional fee.

Related Party Transactions

The Company has been involved in transactions with related parties. A party is considered to be related to the Company if the party directly or indirectly or through one or more intermediaries, controls, is controlled by, or is under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management, and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. A party which can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests is also a related party.

Recent accounting standards

In July 2015, FASB issued ASU 2015-11, "Inventory (Topic 330) Related to Simplifying the Measurement of Inventory," which applies to all inventory except that which is measured using last-in, first-out ("LIFO") or the retail inventory method. Inventory measured using first-in, first-out ("FIFO") or average cost is within the scope of the new guidance and should be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments are effective for public business entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The new guidance is applied prospectively, and earlier application is permitted as of the beginning of an interim or annual reporting period. The Company adopted ASU 2015-11 effective July 1, 2017, which had no material impact on its consolidated financial statements or financial statement disclosures.

In January 2017, the Financial Accounting Standards Board (the "FASB") issued new guidance for goodwill impairment which requires only a single-step quantitative test to identify and measure impairment and record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. The option to perform a qualitative assessment first for a reporting unit to determine if a quantitative impairment test is necessary does not change under the new guidance. This guidance is effective for the Company beginning in fiscal year 2020 with early adoption permitted. The Company adopted this guidance in fiscal year 2017. The adoption of this guidance will had no impact on the Company's consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* ("ASU 2016-18"). ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash. Therefore, amounts generally described as restricted cash should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows, and transfers between cash and cash equivalents and restricted cash are no longer presented within the statement of cash flows. ASU 2016-18 is effective for annual periods beginning after December 15, 2017, including interim periods within those fiscal years. The Company elected to early adopt ASU 2016-18 for the reporting period ended December 31, 2017 and the standard was applied retrospectively for all periods presented which had no material impact on prior years. As a result of the adoption of ASU 2016-18, the Company no longer presents the change within restricted cash in the consolidated statement of cash flows.

In March 2016, the Financial Accounting Standards Board (the "FASB") issued new guidance for employee share-based compensation which simplifies several aspects of accounting for share-based payment transactions, including excess tax benefits, forfeiture estimates, statutory tax withholding requirements, and classification in the statements of cash flows. This guidance was effective for the Company in fiscal year 2017. Under the new guidance any future excess tax benefits or deficiencies are recorded to the provision for income taxes in the consolidated statements of operations, instead of additional paid-in capital in the consolidated balance sheets. During the years ended June 30, 2018 and 2017, no excess tax benefits were recorded to additional paid-in capital that would have been recorded as a reduction to the provision for income taxes.

In February 2016, the FASB issued ASU No. 2016-02 ("ASU 2016-02"), *Leases (Topic 842)*, which supersedes existing guidance on accounting for leases in *Leases (Topic 840)* and generally requires all leases, including operating leases, to be recognized in the statement of financial position as right-of-use assets and lease liabilities by lessees. The provisions of ASU 2016-02 are to be applied using a modified retrospective approach and are effective for reporting periods beginning after December 15, 2018; early adoption is permitted. In July 2018, the FASB issued ASU 2018-10 "*Codification Improvements of Topic 842, Leases*" and ASU No. 2018-11, "*Leases (Topic 842): Targeted Improvements*." ASU 2018-11 provides companies another transition method in addition to the existing transition method by allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The consideration in the contract is allocated to the lease and nonlease components on a relative standalone price basis (for lessees) or in accordance with the allocation guidance in the new revenue standard (for lessors). ASU 2018-11 also provides lessees with a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component. If a lessee makes that accounting policy election, it is required to account for the nonlease components together with the associated lease component as a single lease component and to provide certain disclosures. Lessors are not afforded a similar practical expedient. The Company is evaluating the effect ASU 2016-02, 2018-10 and 2018-11 will have on its consolidated financial statements and disclosures and has not yet determined the effect of the standard on its ongoing financial reporting at this time.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). ASU 2014-09 requires an entity to recognize the revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. ASU 2014-09 supersedes the revenue requirements in *Revenue Recognition (Topic 605)* and most industry-specific guidance throughout the Industry Topics of the Codification. The New Revenue Standard provides for a single comprehensive principles-based standard for the recognition of revenue across all industries through the application of the following five-step process:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

This five-step process will require significant management judgment in addition to changing the way many companies recognize revenue in their financial statements. Additionally, and among other provisions, the New Revenue Standard requires expanded quantitative and qualitative disclosures, including disclosure about the nature, amount, timing and uncertainty of revenue.

In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* ("ASU 2015-14"), which defers the effective date of ASU 2014-09 by one year. Early adoption is permitted but not before the original effective date. The Company's adoption of ASU 2014-09 will change the timing of the recognition of initial franchise fees. ASU 2014-09 requires these fees to be recognized over the term of the related franchise license for the respective robot, which had a material impact to revenue recognized for initial franchise fees and renewal franchise fees. ASU 2014-09, allows for non-cancellable franchise contract agreements for the Company recognize revenue under the provisions of ASC 606-10-25, Revenue Recognition – Revenue from Contracts with Customers.

In March 2016, FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The amendments in this update change the accounting for certain stock-based compensation transactions, including the income tax consequences and cash flow classification for applicable transactions. The amendments in this update are effective for annual periods beginning after December 31, 2016 and interim periods within those annual periods. The Company is currently evaluating the impact that this amendment will have on its consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, "Leases." This standard requires the recognition of all lease transactions with terms in excess of 12 months on the balance sheet as a lease liability and a right-of-use asset (as defined in the standard). ASU 2016-02 will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with earlier application permitted. Upon adoption, the lessee will apply the new standard retrospectively to all periods presented or retrospectively using a cumulative effect adjustment in the year of adoption. ASU 2016-02 is not expected to have a material impact on the Company's consolidated financial statements or consolidated financial statement disclosures upon adoption based on current facts and circumstances.

Effective January 2017, FASB issued ASU No. 2016-15 "Statement of Cash Flows" (Topic 230). This guidance clarifies diversity in practice on where in the Statement of Cash Flows to recognize certain transactions, including the classification of payment of contingent consideration for acquisitions between Financing and Operating activities. We are currently evaluating the impact that this amendment will have on our consolidated financial statements.

On January 5, 2017, the FASB issued ASU No. 2017-01, "Clarifying the Definition of a Business" (Topic ASC 805), guidance to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments in this ASU provide a screen to determine when an integrated set of assets and activities (collectively referred to as a "set") is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated. If the screen is not met, the amendments require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and remove the evaluation of whether a market participant could replace the missing elements. This ASU is effective for public business entities in annual periods beginning after December 15, 2017, including interim periods therein. We are currently evaluating the impact that this amendment will have on our consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, "Compensation – Stock Compensation" (Topic 718) - Scope of Modification Accounting. This ASU clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. This ASU is effective prospectively for the annual period ending December 31, 2018 and interim periods within that annual period. We are currently evaluating the impact that this amendment will have on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, "*Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*", which adds disclosure requirements to Topic 820 for the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The Company is evaluating the provisions of this ASU and plans to adopt this ASU effective July 1, 2020.

3. Inventory

As of June 30, inventory consisted of the following:

	2018	2017
Inventory on-hand:		
Raw material	$ 2,147,287	$ -
Work in process	1,003,773	-
Finished goods	506,720	498,809
	3,657,780	498,809
Allowance for obsolete inventory	(400,000)	(50,000)
	$ 3,257,780	$ 448,809

Prepaid inventory represents payments for raw material that has not been received by the Company as of June 30, 2018.

For the year ended June 30, 2018, the Company recognized in the accompanying statement of operations $50,000 in cost of goods sold and $300,000 in research and development expenses for the allowance for obsolete inventory.

See Note 11 for purchase commitments from our manufacturers for inventory.

4. Property and Equipment

As of June 30, property and equipment consisted of the following:

	2018	2017
Furniture and fixtures	$ 44,065	$ 44,065
Office equipment	32,517	32,517
Tenant improvements	61,414	22,846
Frozen yogurt robots	177,684	125,000
	315,680	224,427
Accumulated depreciation	(115,889)	(70,181)
	$ 199,791	$ 154,246

For the years ended June 30, 2018 and 2017, depreciation expense was approximately $46,000 and $28,000, respectively.

5. Intangible property

As of June 30, intangible property consisted of the following:

	2018	2017
Patents	$ 2,440,000	$ 2,440,000
Computer software	116,176	116,176
	2,556,176	2,556,176
Accumulated amortization	(686,052)	(294,609)
	$ 1,870,124	$ 2,261,567

For the years ended June 30, 2018 and 2017, amortization expense was approximately $391,000 and $215,000, respectively.

Patents

On December 29, 2016, the Company entered into an Asset Purchase Agreement (the "Agreement") with Robofusion, Inc. ("RFI"), whereby the Company acquired the intellectual property assets of RFI, a developer of robotic-kiosk vending technology, primarily frozen yogurt vending kiosks/cubes, using RFI's trademarked name of Reis & Irvy's (the "Acquisition"). Pursuant to the Agreement, the Company provided RFI, and its designees, a cash payment of $440,000. The Company also issued to RFI a three-year, $2 million note and a five-year common stock purchase warrant for 1,520,000 shares with a strike price of $0.50 per share. Furthermore, certain RFI Officers, Directors and Shareholders will be subject to a five-year, non-compete agreement. Also, the Agreement provides for indemnification and set off of up to $1 million, under certain circumstances. For the year ended June 30, 2018, the Company entered into two settlements related to the intellectual property totaling $185,000. As of June 30, 2018, the Company made approximately $135,000 in payments. All settlement payments are a reduction of the note payable. (See Note 6).

RFI previously granted the Company an exclusive license to market RFI's frozen yogurt vending kiosks/cubes, using RFI's trademarked name of Reis & Irvy's, in the United States and its territories (excluding Puerto Rico) and Canada. The assets acquired pursuant to the Agreement, are substantially all of the assets previously licensed to the Company.

Computer software

Computer software represents capitalized costs of the customer relationship management software utilized by the Company.

6. Notes payable

As of June 30, notes payable consisted of the following:

	2018	2017
Senior Secured Promissory Notes	$ 23,000	$ 334,000
Convertible Secured Debt	250,000	250,000
Convertible Promissory Note	-	300,000
Robofusion Note Payable	1,342,132	1,850,858
Bridge Notes Payable	-	302,100
Convertible Notes Payable	-	6,666
	1,615,132	3,043,624
Less current maturities	(879,017)	(1,710,291)
	$ 736,115	$ 1,333,333

Maturities of the notes payable, net of discounts, are as follows:

2018	$ 879,017
2019	$ 627,590
2020	$ 108,525
	$ 1,615,132

Senior secured promissory notes

On February 25, 2014, we issued Senior Secured Promissory Notes (the "Initial Notes") to three investors in exchange for cash totaling $501,000. The Initial Notes were set to mature on February 24, 2015 and bear simple interest at a rate of 12% paid monthly over the term of the loan. The Initial Notes also provide that our Company can raise up to $1.5 million in proceeds from the issuance of additional notes (the "Additional Notes") which would have the same seniority and security rights. The Initial Notes are secured by substantially all assets of the Company. On September 23, 2014, the holders of the Company's Initial Notes extended the maturity date from February 24, 2015 to March 15, 2016, and on March 15, 2016, the Notes were further extended to September 30, 2016. The notes aggregating $334,000 have been further extended to December 31, 2018 and $167,000 of the notes, plus accrued interest, were converted to common stock at $.16 per share on January 20, 2017. The remaining outstanding notes, aggregating $334,000, have been granted conversion rights at $.16 per share. The conversion right granted was fixed at the closing trading price of the stock. As a result, the Company determined that the conversion right was not a derivative in accordance with ASC 815, *Derivatives and Hedges*, the host instrument was conventional convertible, and that no beneficial conversion feature was present. The modification of the debt terms was not deemed substantive and therefore, was not accounted for as an extinguishment of debt with the recognition of a gain or loss.

As of June 30, 2018 and 2017, the outstanding balance was approximately $23,000 and $334,000, respectively.

For the year ended June 30, 2018, approximately $311,000 of principal and $132,000 of accrued interest was converted into approximately 2,767,000 shares of common stock.

As of June 30, 2018 and 2017, accrued interest was approximately $6,000 and $107,000, respectively.

For the years ended June 30, 2018 and 2017, interest expense was approximately $31,000 and $40,000, respectively.

Financing and security agreement

On September 23, 2014, the Company entered into a Financing and Security Agreement (the "Financing Agreement") whereby the Company may be able to borrow up to $1.5 million through the issuance of convertible secured debt. The principal terms of the Financing Agreement are as follows:

- The Company may borrow up to $1.5 million in tranches of up to $150,000 each.
- The first tranche of $150,000 was issued at the closing of the transaction and was used to acquire and put into service Company-owned micro markets. An additional amount of $100,000 was issued during the quarter ended December 31, 2014.
- All subsequent tranches shall be in the amount of up to $150,000, shall be due and funded by the lender within seven days of notice, and shall be contingent upon the Company placing an additional 20 micro markets into service.
- The notes payable issued under the terms of the Financing Agreement are due in full 24 months from the funding of each tranche. The Company may, at its discretion, extend the due date for each tranche for an additional 12 months.
- Interest on the borrowings accrues at a rate of 10% per annum, and is payable quarterly. In the event the Company elects to extend the maturity date of a tranche, the interest rate will increase to 12% per annum on that tranche.
- The lender may at its discretion convert any outstanding principal under any of the tranches into shares of the Company's common stock. The conversion price is 85% of the average closing prices for the 15 trading days prior to the notice of conversion, but in no event at a conversion price lower than $1.28 per share.
- On the due date, or the extended due date, the Company may at its discretion convert up to one-half of the outstanding principal into shares of common stock. The conversion price is 85% of the average closing prices for the 15 trading days prior to the due date or extended due date, whichever may be applicable.
- Borrowings are secured by the Company-owned micro markets.

At June 30, 2018, there was $250,000 outstanding under the Financing Agreement, of which $150,000 originally matured on September 23, 2016 and $100,000 originally matured on December 15, 2016. On January 20, 2017, the Company extended both tranches until December 31, 2018. As part of the extension, the holder was granted conversion rights at $.16 per share. The conversion right granted was fixed at the closing trading price of the stock. As a result, the Company determined that the conversion right was not a derivative in accordance with ASC 815, *Derivatives and Hedges*, the host instrument was conventional convertible, and that no beneficial conversion feature was present. The modification of the debt terms was not deemed substantive and therefore, was not accounted for as an extingusihment of debt with the recognition of a gain or loss.

The lender of the Financing Agreement has informed the Company that he does not intend to lend additional amounts under the Financing Agreement.

As of June 30, 2018 and 2017, the outstanding balance was approximately $250,000.

As of June 30, 2018 and 2017, accrued interest was approximately $81,000 and $56,000, respectively.

For the years ended June 30, 2018 and 2017, interest expense was approximately $25,000 and $25,000, respectively.

Convertible promissory note

On June 10, 2015, the Company issued a $600,000 convertible promissory note (the "Promissory Note") with interest payable at 10% per annum. In connection with the issuance of the Promissory Note, the Company also issued 2,000,000 common stock purchase warrants, with a term of four years, at an exercise price of $.75 per share.

The Promissory Note matures twelve months from issuance, may be extended for an additional three months, and may be converted at any time in whole or in part, at the lesser of:

(i) 25% discount to the next round of financing prior to conversion in excess of $1 million; or

(ii) $.30 per share; or,

(iii) Commencing six months after issuance date, at the investor's sole discretion, at a 20% discount to the lowest trading price ten business days prior to conversion.

The Company considered the guidance in ASC 815, *Derivatives and Hedging*, and ASC 470-40, *Debt With Conversion and Other Options*, to account for the warrants and recognized a debt discount and increase in additional paid-in capital at the relative fair value of approximately $78,000. The Company considered the guidance in ASC 815, *Derivatives and Hedging*, for the conversion feature and recognized a debt discount and derivative liability at the estimated fair value of approximately $401,000. As a result, the total debt discount was approximately $480,000 at issuance. The discount was amortized as an accretion of discount on notes payable over the term of the loan using the effective interest rate method and included in interest expense in the accompanying statement of operations. The change in the estimated fair value of the derivative liability is recognized in the accompanying statement of operations at each reporting period. During the years ended June 30, 2018 and 2017, the Company has recognized a derivative loss of approximately $220,000 and $224,000 respectively. At June 30, 2017 the Company had a derivative liability related to the Promissory Note of $560,007. During the year ended June 30, 2018, the derivative was eliminated, as the warrants exercise date expired on June 20, 2018. As a result, the estimated fair value of the derivative of as of the date of expiration of approximately $780,000 was recognized in additional paid-in capital in the accompanying statement of changes in shareholders' deficit.

We calculated the value of the discount using the Black-Scholes option pricing model employing the following assumptions: volatility of common stock – 76%; risk-free interest rate – 0.28%; forfeiture rate – 0%; value per share of common stock - $0.45; strike price - $0.75; term – 4 years.

The Promissory Note maturity may also be extended for an additional three months. Furthermore, there will be a full ratchet, anti-dilution with respect to the shares of common stock only (no adjustments will be made to the warrants), for any equity or Convertible Debt financing completed or a definitive Term Sheet exercised within twelve months of closing or fifteen months if the Company exercises its one-time extension. The ratchet does not come into effect for any non-convertible debt offering arranged by the Company, its advisors or bankers.

The conversion terms of the Promissory Note were amended pursuant to a first amendment to Promissory Note, dated October 14, 2015. The adjustable pricing mechanism commencing six months after the Promissory Note issuance date at a 20% discount to the lowest trading price 10 business days prior to conversion was removed. The negative covenants set forth in the subscription agreement were also amended pursuant to a first amendment to subscription agreement, dated October 14, 2015. The modification of an embedded conversion feature is separately accounted for as a derivative before the modification, after the modification or both. Since the bifurcated conversion option is accounted for at fair value both before and after the modification, any changes in the fair value of the conversion option would be reflected in earnings. Furthermore, the Promissory Note was extended for an additional six months from the original maturity.

On January 20, 2017, the note was extended through June 30, 2017 and the warrant price was reduced to $.30 per share, provided that the warrants must be exercised for cash. Furthermore, the warrant expiration date was amended to June 20, 2018. As of June 20, 2018, no warrants were exercised. The Company determined that the cash and non-cash effect of the modification was less than 10% in aggregate. As a result, the modification was not deemed substantive and therefore, was not accounted for as an extinguishment of debt, and did not recognition a gain or loss.

During the years ended June 30, 2018 and 2017, principal payments were $300,000 each year. As of June 30, 2018 and 2017, the outstanding balance was approximately $0 and $300,000, respectively.

As of June 30, 2018 and 2017, accrued interest was approximately $0 and $24,000, respectively. For the years ended June 30, 2018 and 2017, interest payments were approximately $25,000 and $6,000, respectively.

For the years ended June 30, 2018 and 2017, interest expense was approximately $1,000 and $30,000, respectively.

Robofusion note payable

On December 29, 2016, the Company entered into an Asset Purchase Agreement (the "Agreement") with Robofusion, Inc. ("RFI"), whereby the Company acquired the intellectual property assets of RFI, a developer of robotic kiosk vending technology, primarily frozen yogurt vending kiosks/cubes, using RFI's trademarked name of Reis & Irvy's (the "Acquisition"). Pursuant to the Agreement, the Company provided RFI, and its designees, a cash payment of $440,000. The Company also issued to RFI a three-year, $2 million note.

In connection with the issuance of the note payable, the Company issued a five-year common stock purchase warrant for 1,520,000 shares with a strike price of $0.50 per share (see Note 5). At inception, the estimated fair value of the warrant was approximately $174,000, and was recognized as a debt discount. For the years ended June 30, 2018 and 2017, approximately $50,000 and $25,000 was accreted to interest expense in the accompanying statement of operations.

As of June 30, 2018 and 2017, the outstanding balance was approximately $1,441,000 and $2,000,000, respectively. During 2018, principal payments were approximately $424,000 and indemnification payments were approximately $135,000.

As of June 30, 2018 and 2017, accrued interest was approximately $15,000 and $0, respectively. For the year ended June 30, 2018, interest payments were approximately $45,000.

For the years ended June 30, 2018 and 2017, interest expense was approximately $60,000 and $30,000, respectively.

Bridge notes payable

On February 28, 2017, the Company executed two short-term bridge notes aggregating $345,000. The notes bear interest at 0% per annum and matured on July 28, 2017. In connection with the note issuances, the Company recognized an original issue discount of approximately $45,000 and a debt discount approximately $57,000 related to the issuance of 75,000 shares of the Company's common stock (Note 7), for a total debt discount of approximately $102,000. The debt discount was amortized over the life of the loan.

During the years ended June 30, 2018 and 2017, principal payments were approximately $323,000 and $22,000, respectively. As of June 30, 2018 and 2017, the outstanding balance was approximately $0 and $323,000, respectively.

As of June 30, 2018 and 2017, accrued interest was approximately $0 and $5,000, respectively.

For the years ended June 30, 2018 and 2017, interest expense was approximately $2,000 and $5,000, respectively.

For the years ended June 30, 2018 and 2017, approximately $20,000 and $82,000 was accreted to interest expense in the accompanying statement of operations.

Convertible notes payable

Beginning April 2013 through June 19, 2013, we issued convertible notes payable to three entities or individuals in exchange for cash proceeds totaling approximately $250,000. The notes were unsecured and bore interest at 12% per annum. The notes bore maturity dates ranging from June 30, 2013 to August 31, 2013, the earlier of their being outstanding for 60 days, or upon the transfer of 25% or more of our Company's share ownership or upon our merger with a public company (all as defined in the note agreements). Repayment of the notes was personally guaranteed by the beneficial shareholder of FHV Holdings Corp, a California corporation ("FHV CAL"), a director of our Company. On July 19, 2013, $210,000 of the outstanding balance of the notes was tendered in exchange for 552,418 shares of FHV International's common stock.

During the year ended June 30, 2018, principal payments were approximately $7,000. As of June 30, 2018 and 2017, the outstanding balance was approximately $0 and $7,000, respectively.

7. Stockholders' deficit

For the year ended June 30, 2018, the Company issued or recognized:

- Approximately 30,303,000 shares of common stock for gross proceeds of approximately $16,362,000, net of approximately $2,082,000 in issuance costs.
- 200,000 shares of common stock representing $300,000 of stock subscription receivable. Proceeds were received subsequent to June 30, 2018.
- Approximately 2,768,000 shares of common stock for the conversion of approximately $311,000 of convertible debt and $132,000 of accrued interest.
- 150,000 shares of common stock in connection with a legal settlement. The estimated fair value based on the closing price on the date of the settlement was approximately $144,000, and was a reduction of the provision for franchisee rescissions and refunds. In connection with the settlement, the Company guaranteed the shareholder would receive proceeds of $200,000 from the sale of the shares. See Note 12.
- Approximately 502,000 shares of common stock for approximately $1,161,000 of marketing and other services.
- Approximately 628,000 shares of common stock for the cashless exercise of options under the 2013 Equity Incentive Plan. (See Note 8).
- Approximately $1,636,000 in stock-based compensation related to options issued inside and outside the 2013 Equity Incentive Plan
- Approximately $780,000 in derivative liability.

For the year ended June 30, 2017, the Company issued or recognized:

- 5,285,000 shares of common stock for gross proceeds of approximately $2,642,000.
- Approximately 969,000 shares of common stock for franchise refunds of approximately $194,000.
- Approximately 1,326,000 shares of common stock for the conversion of $167,000 of notes payable.
- 75,000 shares of common stock in connection with bridge notes payable, with an estimated fair value of $57,000.
- Approximately 162,000 shares of common stock for the cashless exercise of options under the 2013 Equity Incentive Plan. (See Note 8).
- Approximately $402,000 in stock-based compensation related to options issued inside and outside the 2013 Equity Incentive Plan.

8. Stock-based compensation

2013 Equity Incentive Plan

On August 14, 2013, our Board of Directors approved the adoption of the 2013 Equity Incentive Plan (the "2013 Plan"). The 2013 Plan was approved by a majority of our shareholders (as determined by shareholdings) on September 4, 2013. The 2013 Plan provides for granting of stock-based awards including: incentive stock options, non-statutory stock options, stock bonuses and rights to acquire restricted stock. The total number of shares of common stock that may be issued pursuant to stock awards under the 2013 Plan were initially not to exceed in the aggregate 2,600,000 shares of the common stock of our Company. On July 13, 2015, the Company increased the total number of shares that may be issued under the 2013 Plan to 4,000,000. Furthermore, in April 2016, the Company further increased the total number of shares that may be issued under the Plan to 6,000,000.

During the years ended June 30, 2018 and 2017, the Company granted stock options under its 2013 Plan. Stock- based compensation related to these awards is recognized on a straight-line basis over the applicable vesting period and is included in operating expense in the accompanying consolidated statement of operations for the years ended June 30, 2018 and 2017. During the years ended June 30, 2018 and 2017, options issued were valued using a binomial valuation method assuming the following:

	2018	2017
Expected volatility	133%-234.30%	133%
Dividend yield	0%	0%
Forfeiture rate	20%	20%
Risk-free interest rate	1.59%-2.44%%	1.38%
Expected life in years	3.5	3.5

The expected volatility was estimated based on the volatility of a set of companies that management believes are comparable to the Company. The risk-free rate was based on the U.S. Treasury note rate over the expected life of the options. The expected life was determined using the simplified method as we have no historical experience. We recorded stock-based compensation expense of $1,636,000 and $402,000 for the years ended June 30, 2018, and 2017, respectively.

The following table summarizes the stock option activity:

	Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2016	2,514,448	$ 0.22	5.84	$ 455,115
Granted	2,300,000	0.27		
Exercised	(215,000)	0.21		
Forfeited	(479,374)	0.16		
Outstanding at June 30, 2017	4,120,074	0.25	5.67	2,397,883
Granted	332,500	1.48		
Exercised	(719,448)	(0.22)		
Forfeited	(591,250)	0.38		
	3,141,876	0.21	5.23	$ 6,168,665
Vested options	2,732,876			
Remaining options expected to vest	409,000			

At June 30, 2018, the total estimated unrecognized compensation cost related to options totaled approximately $341,000.

During the year ended June 30, 2017, warrants to purchase 1,520,000 shares at $.50 per share were granted to Robofusion as part of the asset purchase agreement (Note 6). As of June 30, 2018, there were 3,520,000 warrants outstanding, of which 2,000,000 have an exercise price of $.30 per share and 1,520,000 have an exercise price of $.50 per share. The warrants expire five years from the date of grant.

Non-Qualified Stock Options

For the year ended June 30, 2017, the Company granted non-qualified stock options (outside of the 2013 Plan) aggregating 5,000,000 and 500,000, respectively to its Chairman and CEO. The options vest 50% upon the delivery of 400 robotic soft serve vending kiosks or achieving cumulative revenue of $15 million and 50% upon the delivery of 800 robotic soft serve vending kiosks or achieving cumulative revenue of $30 million.

The estimated fair value of the options was approximately $698,000. Stock-based compensation related to these awards is recognized on a straight-line basis over the expected vesting period (24 months) and is included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations. The options issued were valued using a binomial method assuming the following:

Expected volatility	134.81%
Dividend yield	0%
Risk-free interest rate	1.50%
Expected life in years	3.5

For the years ended June 30, 2018 and 2017, the Company recognized approximately $279,000 and $116,000, respectively. Remaining stock-based compensation to be recognized is approximately $303,000. No options have vested and the remaining options expected to vest is 4,400,000.

For the year ended June 30, 2018, the Company granted non-qualified stock options (outside of the 2013 Plan) to the following:

- The Company granted a potential of 1,175,000 options to employees. The options vest based on objective criteria consisting of sales and overall Company goals.

- Furthermore, we granted a potential of 6,375,000 options to the Chairman, CEO and management employees with an exercise price of $0.87 per share. The options vest 50% upon 1,200 units installed or $45 million in cumulative revenue; and 50% upon 2,000 units installed or $75 million in cumulative revenue.

The estimated fair value of the options was approximately $6,464,000. Stock-based compensation related to these awards is recognized on a straight-line basis over the expected vesting period (24 months) and is included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations . The options issued were valued using a binomial method assuming the following:

Expected volatility	232.16% - 233.60
Dividend yield	0%
Risk-free interest rate	2.37% - 2.67%
Expected life in years	3.5

For the year ended June 30, 2018, the Company recognized approximately $1,067,000. Remaining stock-based compensation to be recognized is approximately $5,397,000. No options have vested and the remaining options expected to vest is 7,550,000.

9. Leases

On August 1, 2015, the Company moved its corporate and warehouse facilities to a single location aggregating 8,654 feet at 2620 Financial Court, Suite 100, San Diego California 92117. The new lease is for a term of 84 months. The current monthly rental payment, net of utilities for the facility, is $15,995. Future minimum lease payments under the Company's Facility Lease is as follows:

2018: $191,492; 2019: $196,928; 2020: $202,554; 2021: $208,377; 2022: $214,403. Thereafter: $17,909. Rent expense totaled $230,000 and $229,000 for the years ended June 30 2018 and 2017, respectively.

10. Income taxes

The Company uses the asset and liability method of accounting for income taxes, in accordance with ASC 740-10, which requires that the Company recognize deferred tax liabilities for taxable temporary differences and deferred tax assets for deductible temporary differences and operating loss carry-forwards using enacted tax rates in effect in the years the differences are expected to reverse. Deferred income tax benefit or expense is recognized as a result of changes in net deferred tax assets or deferred tax liabilities. A valuation allowance is recorded when it is more likely than not that some or all of any deferred tax assets will not be realized. As of June 30, 2018 and 2017, the Company had a full valuation allowance on its deferred tax assets.

The following table presents the current and deferred income tax provision (benefit) for federal, state and foreign income taxes:

	2018	2017
Current tax provision (benefit):		
Federal	-	-
State	4,800	4,800
	4,800	4,800
Deferred tax provision (benefit):		
Federal	-	-
State	-	-
	-	-
Total provision (benefit) for income taxes:	4,800	4,800

Significant components of deferred tax assets and liabilities are shown below:

	2018	2017
Deferred tax assets (liabilities)		
Net Operating Loss	8,912,582	7,008,920
Accruals	51,330	566,470
Compensation	449,380	287,609
Inventory	102,661	19,917
State Tax	1,176	2,176
Bad Debt Reserve	44,660	79,155
Revenue	579,856	229,451
Contributions	16,689	2,083
Other	[illegible]	18,901
Total gross deferred tax assets	10,158,334	8,214,682
Valuation allowance	(10,225,893)	(8,258,448)
Net deferred tax assets	(67,559)	(43,766)
~~Total deferred tax liabilities~~ Total deferred tax liabilities	[illegible]	[illegible]
Fixed Assets	80,374	103,585
Debt Discount	(12,815)	(59,819)
[illegible]	[illegible]	[illegible]
Total	-	-

In assessing the realizability of deferred tax assets of $10,158,334 at June 30, 2018 management considered whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

A reconciliation of income taxes computed by applying the federal statutory income tax rate of 34% to income (loss) before income taxes to the recognized income tax (benefit) provision reported in the accompanying consolidated statements of operations is as follows for the years ended June 30, 2018 and 2017:

	2018		2017	
Expected tax at 34%	(6,866,090)	-34.00%	(3,830,044)	34.00%
State income tax, net of federal tax	(395,011)	1.96%	(537,880)	4.78%
Permanent Items	686,153	-3.40%	181,491	-1.61%
Results of Change in Federal Tax Rates	4,731,271	-23.43%	-	0.00%
Change in valuation allowance	1,967,446	-9.74%	4,097,830	-36.38%
Research Credits	-	0.00%		0.00%
Other / True-up	(118,969)	0.59%	93,403	-0.83%
Provision (Benefit) for income taxes	4,800	-0.02%	4,800	0.04%

During the years ended June 30, 2018 and 2017, the valuation allowance increased by $1,967,000 and $4,107,000, respectively. At June 30, 2018, the Company had federal and state net operating carryforwards of approximately $33,841,000 and 24,719,000 respectively. The federal and state loss carryforwards begin to expire in 2031 unless previously utilized. Our tax returns for the years 2014 - 2017 are open for examination by the taxing authorities.

Utilization of the NOL carryforwards may be subject to an annual limitation due to ownership change limitations that may have occurred or could occur in the future, as required by Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). These ownership changes may limit the amount of the NOL carry forwards that can be utilized annually to offset future taxable income and tax, respectively. In general, an "ownership change" as defined by Section 382 of the Code results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 5 percentage points of the outstanding stock of a company by certain shareholders.

On December 22, 2017, new tax reform legislation in the U.S., known as the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law. As a result of the lower enacted corporate tax rate, the Company has remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. The provisional amount recorded related to the remeasurement of our deferred tax balance was $4.8 million that is fully offset by a corresponding decrease to our valuation allowance.

We recognize a tax benefit from an uncertain tax position when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely-than-not recognition at the effective date to be recognized. As of June 30, 2018 we do not have any unrecognized tax benefits. We do not anticipate a significant change in the unrecognized tax benefits within the next 12 months.

11. Commitments and contingencies.

During fiscal year 2018, the Company began a voluntary internal investigation into payments made with respect to the Company's primary stock sales and whether the payments complied with Section 15 of the Securities Exchange Act of 1934. The Company paid a bonus to certain members of its franchise sales staff and to the Company's Chairman for any shares of the Company's stock that potential franchisees purchased. In this regard, the Company paid approximately $332,000 to its franchise sales staff and a matching bonus of approximately $332,000 to its Chairman for the time period July 2017 to April 2018. The Company also paid an outside service provider pursuant to a written contract for franchise reengagement leads. The Company has determined that the outside service provider had some involvement in generating reengagement leads of potential franchisees who also may have had an interest in purchasing stock. These payments are in relation to the $16.4 million (net of offering costs) raised by the Company during the fiscal year. The Company has engaged outside counsel, has ceased and will not make further payments with regard to the Company's stock sales, will take remedial measures (including oversight and education), and, as deemed appropriate, will take steps to recapture the value of those payments previously made. The Audit Committee will take charge of and oversee the continued internal investigation and remediation efforts. The Company cannot reasonably estimate any potential liability or recovery, if any, related to these payments.

There are warranties on our vending machines extended by the machine manufacturer and its distributors, but required repairs to the machines are the responsibility of the franchisees. To the extent the machines remain under warranty, our franchisees transact directly with the manufacturer or its distributor. As a result, no warranty liability or expense was recognized in 2018 or 2017. The Company provides a one year parts warranty on its robotic soft serve vending kiosks.

As of June 30, 2018, the Company had unconditional purchase contracts of approximately $12,870,000 for the purchase or inventory for the frozen yogurt and ice cream robots.

On May 19, 2018, the Company entered into an 18 month consulting contract with a franchisee. Consideration is a total of 300,000 shares of common stock. 50,000 shares of common stock vest every three months during the term of the contract. If the consultant resigns or is terminated, the Company has the option to repurchase the vested shares at the lesser of the fair market value of the shares at the time the repurchase option is exercised and the purchase price The Company accounted for the shares in accordance with ASC 505-50, *Equity-Equity Based Payments to Non-Employees*. The estimated fair value of the shares was based on the closing trading price on June 30, 2018. The expense is recognized over the vesting period of the shares of common stock. As of June 30, 2018, no shares had vested. For the year ended June 30, 2018, the Company recognized approximately $131,000 of other expense in the accompanying statement of operations.

On June 6, 2018, the Company entered into an agreement with two investors in connection with the Company's private placement memorandum. The investors have the right to purchase:

- From June 6 through June 30, 2018, 300,000 shares of common stock at $1.00 per share. As of June 30, 2018, the investors purchased 300,000 shares of common stock.
- From July 1 through September 30, 2018, 1,000,000 shares of common stock at $1.00 per share. As of September 30, 2018, no shares were purchased.
- From October 1 through December 31, 2018, 1,333,333 shares of common stock at $1.50 per share. As of the date of this report, no shares were purchased..

From time to time, we may become involved in litigation and other legal actions, including disagreements with to any pending litigation or franchise agreement rescissions where the amount and range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. Where a liability is probable and there is a range of estimated loss with no best estimate in the range, we record a charge equal to at least the minimum estimated liability for a loss contingency when both of the following conditions are met: (i) information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements and (ii) the range of loss can be reasonably estimated. Estimated legal costs expected to be incurred to resolve legal matters are recorded to the consolidated balance sheet and statements of operations.

Additionally, our Company is subject to certain state reviews of our Franchise Disclosure Documents. Such state reviews could lead to our Company being fined or prohibited from entering into franchising agreements with the reviewing state.

Periodically, we are contacted by other state franchise regulatory authorities and in some cases have been required to respond to inquiries, or make changes to our franchise disclosure documents or franchise offer and sale practices. Management believes these communications from state regulators and corresponding changes in our franchise disclosure documents and practices are administrative in nature and do not indicate the presence of a loss or probable potential loss.

12. Related party transactions

Related party debt consisted of the following:

		2018		2017
Secured Promissory Notes	$	296,779	$	296,779
Convertible Promissory Note		240,007		353,187
		536,786		649,966
Less current maturities		(536,786)		(649,966)
	$	-	$	-
Maturities of notes payable, are as follows:				
June 30, 2018	$	536,786	$	649,966

Notes Payable to Socially Responsible Brands

On October 27, 2015, the Company obtained secured loans in the aggregate amount of $500,000 from Socially Responsible Brands, Inc. The Company's Chairman, Nicholas Yates, is a 20% owner of Socially Responsible Brands, Inc.

The Company issued two Secured Promissory Notes and a related Security Agreement, each dated October 27, 2015 (the "Notes" and "Security Agreement"). Certain current lien holders of the Company also executed and delivered a Subordination Agreement in connection with the issuance of the Notes and Security Agreement (the "Subordination Agreement", and together with the Notes and Security Agreement, the "Transaction Documents").

The Notes are each in the principal amount of $250,000, and have terms of eighteen months and one year, respectively. The first Note is secured by the Company's fifty (50) corporate-owned micro-markets and the Note principal and interest is repaid according to a schedule based on sale of such micro-markets. The second Note is secured by the Company's franchise royalties and principal and interest is repaid on a schedule based on receipt of combo machine sales, with guaranteed payments of at least $75,000 per quarter during the term of the Note. During the year ended 2018, the Company paid $0 of principal and interest, respectively, under the Notes. During the year ended 2017, the Company paid $115,617 and $34,383 of principal and interest, respectively, under the Notes.

On January 20, 2017, Socially Responsible Brands agreed to extend the maturity date on their notes until December 31, 2017. In connection with the loan extension, the holder may convert their Notes into shares of the Company's stock at $.16 per share. Furthermore, on September 18, 2017, the Notes were amended whereby the interest rate was modified to a rate of 20% per annum effective October 1, 2016. Additionally, the Notes were further extended until December 31, 2018.

Notes Payable to Nick Yates

On January 13, 2015, the Company's Chairman, Nicholas Yates, agreed to loan the Company up to $200,000 (the "Loan"), each incremental borrowing under the Loan to be evidenced by a promissory note. Mr. Yates further agreed to loan the Company up to $550,000. Amounts borrowed under the Loan bear interest at 10% per annum and are due on December 31, 2016. The Loan also provides for conversion to common stock, at the option of the holder, at a price equal to the Company's next round of funding. In connection with the beneficial conversion option, the Company has recorded $300,000 as a discount on the Loan and charged $0 and $194,000, to operations during the years ended June 30, 2018 and 2017, respectively. As of June 30, 2018 and 2017, $240,000 and $353,000, respectively were outstanding under the Loan.

On January 20, 2017, Mr. Yates agreed to extend his loans until December 31, 2017. In exchange for extending the loans, Mr. Yates was granted an option to convert the loan to common stock at $.16 per share. Furthermore, Loans were extended until December 31, 2018.

On January 20, 2017, the Company executed a loan agreement with Nine Dragons Investments ("Nine Dragons") for borrowings in an amount not to exceed $300,000. Nine Dragons is an entity affiliated with our Chairman Nick Yates. In connection with the loan agreement, the Company borrowed proceeds aggregating $209,931. The loans bear interest at 10% per annum, are due on December 31, 2017 and are secured by certain assets of the Company, including its intellectual property. Furthermore, the loans are convertible at the option of the holder at $.16 per share. During the year ended June 30, 2017, $209,931 of the Nine Dragons loans were redeemed for cash.

Other Transactions

The Company paid a bonus to the Chairman for shares of the Company's stock that potential franchisees purchased. In this regard, the Company paid approximately $332,000 to its Chairman for the time period July 2017 to April 2018. The Company will take steps to recapture the value of these payments previously made to its Chairman.

In July 2017, the Company issued 150,000 shares of common stock in connection with settlement of a former franchisee (see Note 11). Terms of the agreement state that Nick Yates will receive 50% of the proceeds in excess of $200,000.

The spouse of the Company's Chairman was employed by the Company during 2017 and through May 31, 2018. The Company charged approximately $38,000 and $40,000 to operations for her compensation in 2018 and 2017, respectively.

As of June 30, 2018 and 2017, prepaid expenses and other current assets in the accompanying balance sheet included approximately $28,000 and $14,000, respectively, of short-term advances to an officer of the Company.

As of June 30, 2017, prepaid expenses and other current assets in the accompanying balance sheet included approximately $21,000, from a loan to an officer of the Company. During the year ended June 30, 2018, the loan was repaid in full.

The Company determined that there may be a material weakness related to the identification of transactions that could be deemed violations of Section 13(k) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 402 of the Sarbanes-Oxley Act of 2002.

13. Segment Information

The segment information consisted of the following:

	June 30, 2018			
	R&I	FHV	Other	Total
Revenue:				
Frozen Yogurt Robots	$ 137,029	$ -	$ -	$ 137,029
Vending Machines	-	178,111	-	178,111
Royalties	-	296,422	-	296,422
Franchises	13,750	15,475	-	29,225
Company-owned Machines	-	-	165,686	165,686
Agency Sales, net	-	59,659	-	59,659
Other	24,462	-	-	24,462
Total	$ 175,241	$ 549,667	$ 165,686	$ 890,594
Depreciation and Amortization	$ 400,527	$ 81,739	$ 25,000	$ 507,266
Operating Loss	$ (17,483,787)	$ (1,519,564)	$ (7,780)	$ (19,011,131)
Interest Expense	$ 145,572	$ 154,686	$ -	$ 300,258
Change in Estimated Fair Value of Derivative Liabilities	$ -	$ (220,003)	$ -	$ (220,003)
Purchases of Property and Equipment	$ 24,111	$ 37,141	$ 30,000	$ 91,252
Total Assets	$ 31,574,645	$ 292,664	$ 108,644	$ 31,975,953

	June 30, 2017			
	R&I	FHV	Other	Total
Revenue:				
Frozen Yogurt Robots	$ -	$ -	$ -	$ -
Vending Machines	-	3,346,776	-	3,346,776
Royalties	-	372,042	-	372,042
Franchises	-	307,159	-	307,159
Company-owned Machines	-	-	140,690	140,690
Agency Sales, net	-	88,826	-	88,826
Other	22,895	-	-	22,895
Total	$ 22,895	$ 4,114,803	$ 140,690	$ 4,278,388
Depreciation and Amortization	$ 200,141	$ 28,150	$ 15,125	$ 243,416
Operating Loss	$ (8,452,474)	$ (2,030,302)	$ 406	$ (10,482,370)
Interest Expense	$ 57,099	$ 501,046	$ -	$ 558,145
Change in Estimated Fair Value of Derivative Liabilities	$ -	$ (223,980)	$ -	$ (223,980)
Purchases of Property and Equipment	$ 436,973	$ -	$ 125,000	$ 561,973
Total Assets	$ 17,155,932	$ 626,950	$ 120,285	$ 17,903,167

14. Subsequent events

On various dates subsequent to July 1, 2018 through the date of this report, the Company issued 832,000 shares of common stock, aggregating approximately $1,248,000.

On October 9, 2018, the Company repaid the outstanding balance of approximately $240,000 of convertible notes payable to the Company's Chairman, Nicholas Yates, and related accrued interest of approximately $14,000, for a total of approximately $254,000.

On various dates subsequent to July 1, 2018 and through the date of this report, the Company entered into termination agreements with franchisees for refunds aggregating approximately $428,000. The Company considered the guidance in ASC 855, *Subsequent Events*, and determined that no accrual was required as of June 30, 2018.

Because it was determined the assets of FHV LLC are currently insufficient to satisfy FHV LLC's obligations to creditors, as of September 28, 2018, FHV LLC has executed an Assignment for the Benefit of Creditors under California law, whereby all of the assets of FHV LLC have been assigned to a third party fiduciary who will expeditiously liquidate such assets and distribute the proceeds thereof to FHV LLC's creditors pursuant to the priorities established and permitted by law.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Generation Next Franchise Brands, Inc.
(Formerly Fresh Healthy Vending International, Inc.)

We have audited the accompanying consolidated balance sheets of Generation Next Franchise Brands, Inc. (Formerly Fresh Healthy Vending International, Inc.) (the "Company") as of June 30, 2017 and 2016, and the related consolidated statements of operations, changes in stockholders' deficit and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2017 and 2016, and the consolidated results of its operations, its changes in stockholders' deficit and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Anton & Chia, LLP
Newport Beach, California
September 29, 2017

GENERATION NEXT FRANCHISE BRANDS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

	As of June 30	
	2017	2016
Assets		
Current assets:		
Cash	$ 1,751,022	$ 409,706
Cash in escrow	1,500	208,767
Accounts receivable, net	12,947,611	2,411,346
Deferred costs	196,317	394,563
Inventories, net	252,492	318,707
Prepaid expenses and other current assets	305,508	479,559
Total current assets	15,454,450	4,222,648
Property and equipment:		
Equipment	125,000	-
Computer hardware and software	148,693	145,060
Furniture and fixtures	44,065	50,725
Intangible intellectual property	2,440,000	-
Leasehold improvements	22,846	22,846
	2,780,604	218,631
Less accumulated depreciation and amortization	(364,791)	(124,033)
Total property and equipment, net	2,415,813	94,598
Deposits	32,904	32,904
Total assets	$ 17,903,167	$ 4,350,150
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,727,873	$ 1,172,978
Customer advances and deferred revenues	25,042,850	8,062,982
Provision for franchisee rescissions and refunds	2,692,618	1,844,176
Accrued personnel expenses	391,072	266,926
Notes payable, net of discount of $169,542 in 2017 and $0 in 2016	1,710,291	1,357,666
Derivative liability	560,007	336,027
Due to related party, net of discount of $0 in 2017 and $193,766 in 2016	649,966	740,330
Deferred rent	19,375	11,497
Total current liabilities	33,794,052	13,792,582
Note payable - long term	1,333,333	
Commitments and contingencies (Notes 6 and 10)	-	-
Stockholders' deficit:		
Preferred stock; $0.001 par value; 25 million shares authorized; no shares issued and outstanding	-	-
Common stock; $0.001 par value; 100 million shares authorized; 34,826,646 outstanding at June 30, 2017	34,825	27,916
Additional paid-in capital	6,722,850	3,242,250
Accumulated deficit	(23,981,893)	(12,712,598)
Total stockholders' deficit	(17,224,218)	(9,442,432)
Total liabilities and stockholders' deficit	$ 17,903,167	$ 4,350,150

See accompanying notes to the consolidated financial statements.

GENERATION NEXT FRANCHISE BRANDS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
For the years ended June 30, 2017 and 2016

	2017	2016
Revenues:		
Vending machine sales, net	$ 3,346,776	$ 4,537,463
Franchise fees	307,159	382,992
Company owned machines	140,690	294,565
Agency sales (net)	88,826	93,933
Other	394,937	376,246
Total revenues	4,278,388	5,685,199
Cost of revenues	1,960,074	3,138,422
Gross margin	2,318,314	2,546,777
Operating expenses:		
Personnel	4,062,660	3,066,888
Marketing	2,289,465	1,111,402
Professional fees	1,218,960	481,133
Insurance	262,969	258,312
Rent	228,714	200,944
Depreciation and amortization	243,416	90,071
Stock compensation	401,878	307,440
Research and Development	1,637,484	7,567
Provision for Legal Settlement	1,056,629	152,954
Other	1,398,509	823,094
Total operating expenses	12,800,684	6,499,805
Loss from operations	(10,482,370)	(3,953,028)
Other expenses:		
Interest expense	(257,921)	(261,898)
Accretion of discount on notes payable	(300,224)	(560,027)
Loss on conversion of franchisee debt to stock	-	(263,338)
Derivative liability	(223,980)	(44,620)
Total other expenses	(782,125)	(1,129,883)
Loss before provision for income taxes	(11,264,495)	(5,082,911)
Provision for income tax	4,800	4,800
Net loss	$ (11,269,295)	$ (5,087,711)
Net loss per share - basic and diluted	$ (0.39)	$ (0.19)
Weighted average shares used in computing net loss per share - basic and diluted	29,252,793	27,210,290

See accompanying notes to the consolidated financial statements.

GENERATION NEXT FRANCHISE BRANDS, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Deficit
For the years ended June 30, 2017 and 2016

	Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
Balance at June 30, 2015	26,784,767	$ 26,783	$ 2,072,422	$ (7,624,887)	$ (5,525,682)
Issuance of common stock to employee	62,499	62	21,500		21,562
Stock-based compensation			285,878		285,878
Exercise of warrants on $375,000 convertible loan	101,849	102	106,331		106,433
Issuance of common stock to franchisees in lieu of debt repayment	968,750	969	192,781		193,750
Loss on issuance of stock in lieu of debt repayment			263,338		263,338
Beneficial conversion feature on related party note			300,000		300,000
Exercise of stock options	60,715	61	(61)		-
Net loss				(5,087,711)	(5,087,711)
Balance at June 30, 2016	27,978,580	27,977	3,242,189	(12,712,598)	(9,442,432)
Stock-based compensation			401,878		401,878
Value of warrant issued in connection with notes payable			174,000		174,000
Conversion of note payable to common stock	1,325,821	1,326	210,805		212,131
Common stock issued in connection with notes payable	75,000	75	56,925		57,000
Exercise of stock options	162,245	162	(162)		-
Issuance of common stock for cash	4,685,000	4,685	2,343,215		2,347,900
Issuance of common stock subscription receivable	600,000	600	294,000		294,600
Net loss				(11,269,295)	(11,269,295)
Balance at June 30, 2017	34,826,646	$ 34,825	$ 6,722,850	$ (23,981,893)	$ (17,224,218)

See accompanying notes to the consolidated financial statements.

GENERATION NEXT FRANCHISE BRANDS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Net loss	(11,269,295)	$ (5,087,711)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amortization	243,416	90,071
Interest accretion on notes payable discount	300,224	560,027
Loss on conversion of franchisee refund	-	263,338
Loss on derivative liability	223,980	44,620
Issuance of common stock to employee	-	21,562
Stock-based compensation	401,878	285,878
Loss (gain) on sales and disposals of property and equipment	(2,658)	29,134
Deferred rent	7,878	10,057
Bad debt expense	38,063	59,955
Changes in operating assets and liabilities:		
Accounts receivable	(10,274,328)	(403,540)
Deferred costs	198,246	490,322
Inventories	66,215	192,784
Prepaid expenses and other assets	174,051	(389,897)
Deposits	-	8,889
Accounts payable and accrued liabilities	1,600,026	125,303
Customer advances and deferred revenues	16,979,868	1,634,826
Provision for franchisee rescissions and refunds	848,442	1,462,176
Accrued personnel expenses	124,146	45,732
Cash flows used in operating activities	(339,848)	(556,474)
Cash flows from investing activities:		
Purchases of property and equipment	(561,973)	(82,486)
Cash flows used in investing activities	(561,973)	(82,486)
Cash flows from financing activities:		
Amounts received from related party	209,931	839,096
Repayments of advances from related party	(494,061)	-
Proceeds from issuance of notes payable	300,000	-
Repayment of notes payable	(322,500)	-
Proceeds from issuance of common stock for cash	2,342,500	-
Cash flows provided by financing activities	2,035,870	839,096
Change in cash and restricted cash	1,134,049	200,136
Cash and restricted cash, beginning of year	618,473	418,337
Cash and restricted cash, end of year	$ 1,752,522	$ 618,473
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest expense	$ 66,867	$ 128,319
Income taxes	$ 4,800	$ 800
Supplemental disclosure of non-cash investing and financing activities:		
Transfer of corporate machines from fixed assets to inventory	$ -	$ 222,212
Conversion of debt to common stock	$ 212,131	$ -
Exercise of cashless warrants	$ -	$ 106,433
Note payable issued for purchase of intangible assets	$ 2,000,000	$ -
Issuance of common stock in connection with bridge loan	$ 57,000	$ -
Issuance of common stock in lieu of franchisee liability payments	$ -	$ 193,750
Debt discounts	$ 276,000	$ 560,027
Value of stock issued in connection with notes payable	$ 174,000	$ -
Stock subscriptions receivable	$ 300,000	$ -
Exercise of cashless stock options	$ 162	$ 61

See accompanying notes to the consolidated financial statements.

GENERATION NEXT FRANCHISE BRANDS, INC. AND SUBSIDIARIES
(FORMERLY KNOWN AS FRESH HEALTHY VENDING INTERNATIONAL, INC.)
Notes to Consolidated Financial Statements

1. Organization and description of business

Generation NEXT Franchise Brands, Inc. (formerly known as Fresh Healthy Vending International, Inc. and referred to herein collectively with its subsidiaries as "we", the "Company", "our Company", or "GNext") operates through its wholly-owned subsidiaries, Fresh Healthy Vending LLC ("FHV LLC"), The Fresh and Healthy Vending Corporation, FHV Acquisition Corp. ("FHV Acquisition") and our newly formed subsidiaries, Reis & Irvy's, Inc. ("R&I"), 19 Degrees, Inc. and Generation Next Vending Robots, Inc. as a franchisor, direct seller and owner and operator of frozen yogurt Robots, healthy drink and snack vending machines and micro markets that feature cashless payment devices and remote monitoring software. The Company uses in-house location specialists that are responsible for securing locations for its franchisees; additionally, the Company has negotiated discounts with a national product distribution chain. The Company also operates its own frozen yogurt equipment. Effective May 2016, the Company discontinued new franchise sales of its healthy drink and snack vending machines and micro markets. We will no longer market our vending machines and micro markets to new franchisees. We will however, continue to service and support our current FHV LLC franchisees.

During fiscal 2017, we obtained the exclusive rights in the USA (excluding Puerto Rico) and Canada for a new frozen yogurt vending machine robot, branded Reis & Irvy's. As of June 30, 2017, we have received approval to sell franchises in a number of U.S. states and Canada and have booked a net 731 units aggregating approximately $25 million in deferred revenues. As of June 30, 2017, and through the date of this report, the Company has not yet delivered any frozen yogurt vending machines. The Company is in the process of redeveloping the next generation frozen yogurt robot and has spent $1.6 million in research and development expenses through June 30, 2017. The Company will continue to incur additional research and development expenses.

On December 29, 2016, the Company entered into an Asset Purchase Agreement (the "Agreement") with Robofusion, Inc. ("RFI"), whereby the Company acquired the intellectual property assets of RFI, a developer of robotic kiosk vending technology, primarily frozen yogurt vending kiosks/cubes, using RFI's trademarked name of Reis & Irvy's (the "Acquisition"). Pursuant to the Agreement, the Company provided RFI, and its designees, a cash payment of $440,000. The Company also issued to RFI a three-year, $2 million note and a five-year common stock purchase warrant for 1,520,000 shares with a strike price of $0.50 per share. Furthermore, certain RFI Officers, Directors and Shareholders will be subject to a five-year, non-compete agreement. Also, the Agreement provides for indemnification and set off of up to $1 million, under certain circumstances.

2. Summary of significant accounting policies

Basis of Accounting

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP") and the rules and regulations of the Securities and Exchange Commission ("SEC").

Liquidity and capital resources

For the year ended June 30, 2017 the Company had a net loss of $11,269,295. We had negative cash flows from operations totaling $339,848. Our cash balance at June 30, 2017 was $1,751,022. Since the date of the closing of the Acquisition, our orders and installations of machines were less than anticipated and the resulting cash flows from franchisee sales was not sufficient to cover expenditures associated with our ongoing operations. Also, we have used cash on hand to retire liabilities associated with the franchisee rescissions in California (see Legal above) and other franchisee refunds. To provide adequate liquidity for our continuing operations, we need to obtain additional capital in the form of either debt or equity (or a combination thereof) financing. Although management believes that it will be able to obtain such financing on terms acceptable to the Company, no assurance can be given that we will be successful in doing so.

Our current plans include capital expenditures for the purchase of corporate-owned and operated frozen yogurt robots and the repurchase of machines from franchisees opting to rescind their franchise agreements. Given our current cash position, we may be forced to curtail our plans by delaying or suspending the purchase of Robots for our corporate operations.

Principles of consolidation

The consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiaries, FHV LLC, The Fresh and Healthy Vending Corporation, FHV Acquisition, Corp. and its newly formed subsidiaries, Reis & Irvy's, Inc., 19 Degrees, Inc. and Generation Next Vending Robots. All significant intercompany accounts and transactions are eliminated.

Concentration of credit risk

The Company is subject to credit risk through its accounts receivable consisting primarily of amounts due from franchisees for machine purchases, franchise fees, royalty income, and other products. The financial condition of these franchisees is largely dependent upon the underlying business trends of our brands and market conditions within the vending industry. This concentration of credit risk is mitigated, in part, by the large number of franchisees of each brand and the short-term nature of the receivables.

Use of estimates

The preparation of our Company's financial statements requires our 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 our financial statements and the reported amounts of revenues, costs and expenses during the reporting period. Actual results could differ significantly from those estimates. Significant estimates include our provisions for bad debts, franchisee rescissions and refunds, legal estimates, volatility in the Black Scholes model, valuation model of derivative liability, stock compensation and the valuation allowance on deferred income tax assets. It is at least reasonably possible that a change in the estimates will occur in the near term.

Revenue recognition

Our primary revenue generating transactions come from the sale of franchises and vending machines and micro markets to the franchisees. There are no franchise fees charged beyond the initial first year franchise fees. We receive ongoing royalty fees and annual advertising fees as a percentage of either franchisees" gross revenues or gross margins on vending machine sales.

We recognize revenues and associated costs in connection with franchisees (machines and franchise fees) at the time that we have substantially performed or satisfied all material services or conditions relating to the franchise agreement. We consider substantial performance to have occurred when: 1) no remaining obligations are unfulfilled under the franchise agreement; 2) there is no intent to refund any cash received or to forgive any unpaid amounts due from franchisees;
3) all of the initial services spelled out in the franchise agreement have been performed; and 4) we have met all other material conditions or obligations. Revenues and expenses from product sales to franchisees are roughly equivalent and are accounted for on a net basis in the accompanying consolidated statements of operations as agency sales, net. During fiscal 2015, the Company changed the process by which franchisees order products. Currently, all franchisees order directly from our national distributor and the Company receives a commission of 5% on those purchases. We recognize the commission when earned. The Company recognizes revenue on product sales of company-owned machines when products are purchased; we receive electronic sales records on our company-owned units. We recognize royalty fees as revenue when earned. Advertising fees are recorded as a liability until marketing expenditures are incurred.

The Company records the amount of a franchise sale, machines and franchise fees, as deferred revenue until the conditions above have been met. Once the machines are installed, the Company records the corresponding machine and franchise fee as revenue, on a pro rata basis based on the number of machines installed relative to the total machines purchased.

The Company records the value of company-owned machines as inventory when purchased. Once the machines are installed, the machine value is transferred to fixed assets and depreciated over its useful life. As of June 30, 2017, we had three company-owned frozen yogurt vending robots in operation.

It is not our policy to allow for returns, discounts or warranties to our franchisees. Under certain circumstances, including as the result of regulatory action, our Company may become obligated to offer our franchisees amounts in rescission to reacquire their existing franchises, including machines. Additionally, if our Company is unable to fulfill its obligations under a franchise agreement we may, at our sole discretion, agree to refund or reduce part or all of a franchisees' payments or commitments to pay. As of June 30, 2017 and 2016, the Company's provision for franchisee rescissions and refunds totaled $2,692,618 and
$1,844,176, respectively. There are warranties extended by the machine manufacturer and its distributors, but required repairs to the machines are the responsibility of the franchisees. To the extent the machines remain under warranty, our franchisees transact directly with the manufacturer or its distributor.

Vending franchise contracts

We invoice franchisees in full at the time that we enter into contractual arrangements with them. Payment terms vary but usually a significant portion of the contract's cash consideration (typically 40% of amounts due for vending machines plus 100% of the initial franchise fees) is due at the time of signing, while remaining amounts outlined under the contract are generally due upon our locating 50% of the sites for the vending machines and micro markets.

A typical ten unit franchise contract would include the following:

Franchise fee per machine: $1,250

Cost per machine: $10,000

Total franchise cost: $112,500 ($1,250 X 10 + $10,000 X 10)

Initial payment upon signing contract: $52,500 (100% of franchise fees of $12,500 + 40% of machine cost of $100,000)

Upon the signing of the contract, the Company records the initial payment of $52,500 to cash, with the remaining contract value of $60,000 to accounts receivable and records the total contract value of $112,500 to deferred revenue.

Frozen yogurt franchise contracts

We invoice franchisees in full at the time that we enter into contractual arrangements with them. Payment terms vary but usually a significant portion of the contract's cash consideration (typically 40% - 50% of amounts due for vending machines plus 50% - 100% of the initial franchise fees) is due at the time of signing, while remaining amounts outlined under the contract are generally due on a pro rata basis upon our locating the sites for the frozen yogurt robots.

A typical three unit franchise contract would include the following:

Franchise fee per machine: $5,000

Location fee per machine: $2,500

Cost per machine: $42,500

Total franchise cost: $150,000 ($5,000 X 3 + $2,500 X 3 + 42,500 X 3)

Initial payment upon signing contract: $69,000 (100% of franchise fees of $15,000 + 40% of location fees of $7,500 + 40% of machine cost of $127,500)

Upon the signing of the contract, the Company records the initial payment of $69,000 to cash, with the remaining contract value of $81,000 to accounts receivable and records the total contract value of $150,000 to deferred revenue.

Amounts invoiced to franchisees for which we have not met the criteria for revenue recognition as discussed above, are deferred until such conditions are met. Therefore, these amounts are accounted for as accounts receivable, deferred costs, and customer advances and deferred revenues, respectively in the accompanying consolidated financial statements. As of June 30, 2017, the Company had accounts receivable, deferred costs and customer advances and deferred revenues totaling $12,947,611, $196,317 and $25,042,850, respectively. As of June 30, 2016, the Company had accounts receivable, deferred costs and customer advances and deferred revenues totaling $2,411,346, $394,563 and $8,062,982, respectively.

Deferred revenue consisted of the following as of June 30, 2017 and 2016.

	As of June 30	
	2017	2016
Vending machines - new	$ 793,559	$ 4,449,950
Vending machines - used	46,750	282,887
Micro markets - new	-	213,500
Franchise fees	118,011	682,145
Frozen yogurt robots	23,997,780	2,427,500
Other	86,750	7,000
	$ 25,042,850	$ 8,062,982

Cash and cash equivalents

We consider all investments with an original maturity of three months or less to be cash equivalents. When present, cash equivalents primarily represent funds invested in money market funds, bank certificates of deposit and U.S. government debt securities whose cost equals fair market value. We had no cash equivalents at June 30, 2017 and 2016. We may maintain our cash and cash equivalents in amounts that may, at times, exceed federally insured limits. At June 30, 2017, bank balances, per our bank, exceeding federally insured limits totaled $1,501,328. We have not experienced any losses with respect to cash, and we believe our Company is not exposed to any significant credit risk with respect to our cash.

Certain states require the Company to maintain customer deposits in escrow accounts until the Company has substantially performed its obligations. Furthermore, certain franchisees have elected to pay their remaining balance due directly to an escrow account for the beneficiary of the Company's contract manufacturer. At June 30, 2017 and 2016, the Company had $1,500 and $208,767, respectively maintained in escrow accounts for these purposes.

Accounts receivable, net

Accounts receivable arise primarily from invoices for customer deposits, and product orders and are carried at their estimated collectible amounts, net of any estimated allowances for doubtful accounts. We grant unsecured credit to our customers (located throughout North America, the Bahamas and Puerto Rico) deemed credit worthy. Ongoing credit evaluations are performed and potential credit losses estimated by management are charged to operations on a regular basis. At the time any particular account receivable is deemed uncollectible, the balance is charged to the allowance for doubtful accounts. Our allowance for doubtful accounts aggregated $198,710 and $160,647 at June 30, 2017 and 2016, respectively.

Inventories and deferred costs

Inventories consist of vending machines and micro markets held for sale, and vending machine parts held for resale, and is valued at the lower of cost or market, with cost determined using the average cost method.

Property and equipment

Property and equipment consists primarily of patents and trademarks and computer and office equipment and software used in our operations. Property and equipment is carried at cost and depreciated using the straight-line method over their estimated useful lives of the individual assets (generally five to seven years and the remaining useful lives of intangibles). Leasehold improvements are amortized over the lesser of the term of the related lease or the estimated useful life of the asset. Costs incurred for maintenance and repairs are expensed as incurred and expenditures for major replacements and improvements are capitalized and depreciated over their estimated remaining useful lives. Depreciation and amortization expense for the years ended June 30, 2017 and 2016 totaled $243,416 and $90,071, respectively.

Impairment of long-lived assets

We record impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the estimated fair value of the assets. There were no impairments of long-lived assets for the years ended June 30, 2017 and 2016, respectively.

License fee

The Company initially recorded $395,000 related to the exclusive license fee and purchase of frozen yogurt robots from Robofusion, Inc. as a prepaid expense. In connection with the acquisition of the Robofusion intellectual property in December 2016, the Company charged this amount to operations (see Note 10).

Intangible assets

We evaluate the remaining useful life of our intangible assets to determine whether current events and circumstances continue to support their remaining useful life. In addition, all of our intangible assets are tested for impairment annually. We first assess qualitative factors to determine whether it is more likely than not that an intangible asset is impaired. In the event we were to determine that the carrying value of an intangible asset would more likely than not exceed its fair value, quantitative testing would be performed which consists of a comparison of the fair value of each intangible asset with its carrying value, with any excess of carrying value over fair value being recognized as an impairment loss.

Intangible assets consist primarily of patents, trademarks and trade names. Amortization of intangible assets is recorded as amortization expense in the consolidated statements of operations and amortized over the respective useful lives using the straight-line method.

Management makes adjustments to the carrying amount of such intangible assets acquired if they are deemed to be impaired using the methodology for long-lived assets, or when such assets are reduced or terminated.

Deferred rent

We entered into an operating lease for our corporate offices in San Diego, California that contains provisions for future rent increases, leasehold improvement allowances and rent abatements. We record monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between the rent expense recorded and the amount paid is credited or charged to deferred rent, which is reflected as a separate line item in the accompanying consolidated balance sheet. Effective, August 1, 2015, the Company entered into a new seven year lease agreement for its corporate operations and warehouse facilities (see Note 9).

Marketing and advertising

We expense marketing and advertising costs as incurred. We have no existing arrangements under which we provide or receive marketing and advertising services from others for any consideration other than cash. Marketing and advertising expense totaled $2,289,465 and $1,111,402 for the years ended June 30, 2017 and 2016, respectively.

Freight costs and fees

Outbound freight charged to customers is recorded as revenue. The related outbound freight costs are considered period costs and charged to cost of revenues.

Income taxes

The Company provides for income taxes utilizing the liability method. Under the liability method, current income tax expense or benefit is the amount of income taxes expected to be payable or refundable for the current year. A deferred income tax asset or liability is computed for the expected future impact of differences between the financial reporting and tax bases of assets and liabilities and for the expected future tax benefit to be derived from tax credits. Tax rate changes are reflected in the computation of the income tax provision during the period such changes are enacted.

Deferred tax assets are reduced by a valuation allowance when, in management's opinion, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The Company's valuation allowance is based on available evidence, including its current year operating loss, evaluation of positive and negative evidence with respect to certain specific deferred tax assets including evaluation sources of future taxable income to support the realization of the deferred tax assets. The Company has established a full valuation allowance on the deferred tax assets as of June 30, 2017 and 2016, and therefore has not recognized any income tax benefit or expense (other than the state minimum income tax) for the periods presented.

ASC 740, Income Taxes ("ASC 740"), clarifies the accounting for uncertainty in income taxes recognized in the financial statements. ASC 740 provides that a tax benefit from uncertain tax positions may be recognized when it is more-likely-than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits of the position. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. ASC 740 also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense. There is no accrual for interest or penalties for income taxes on the balance sheets as of June 30, 2017 and 2016, and the Company has not recognized interest and/or penalties in the consolidated statements of operations for the years ended June 30, 2017 and 2016.

Valuation of options and warrants to purchase common stock and share grants

We separately value warrants to purchase common stock when issued in connection with notes payable using the Black Scholes quantitative valuation method. The value of such warrants is recorded as a discount from the related notes payable and credited to additional paid-in capital at the time of the issuance of the related notes payable. The value of the discount is applied to the note payable and amortized over the expected term of the note payable using the interest method with the related accretion charged to operations.

We account for our share-based compensation as required by the Financial Accounting Standards Board ("FASB"), under authoritative guidance ASC 718 on stock compensation, using the Black Scholes quantitative valuation method. The resulting compensation expense is recognized in the financial statements on a straight-line basis over the vesting period from the date of grant.

Share grants are measured using a fair value method with the resulting compensation cost recognized in the financial statements. Compensation expense is recognized on a straight-line basis over the service period for the stock awards.

Fair value of financial instruments

The Company follows guidance for accounting for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Additionally, the Company adopted guidance for fair value measurement related to nonfinancial items that are recognized and disclosed at fair value in the financial statements on a nonrecurring basis. The guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The Company monitors the market conditions and evaluates the fair value hierarchy levels at least quarterly. For any transfers in and out of the levels of the fair value hierarchy, the Company elects to disclose the fair value measurement at the beginning of the reporting period during which the transfer occurred.

The Company's financial instruments consisted of cash, cash in escrow, accounts receivable, accounts payable and accrued liabilities, provision for franchisee rescissions and refunds, accrued personnel expenses, due to related party and notes payable. The estimated fair value of these financial instruments approximate the carrying amount due to the short maturity of these instruments. The recognition of the derivative values of convertible debt are based on the weighted-average Black-Scholes option pricing model.

Derivatives and Hedging

In April 2008, the FASB issued a pronouncement that provides guidance on determining what types of instruments or embedded features in an instrument held by a reporting entity can be considered indexed to its own stock for the purpose of evaluating the first criteria of the scope exception in the pronouncement on accounting for derivatives. This pronouncement was effective for financial statements issued for fiscal years beginning after December 15, 2008. The adoption of these requirements can affect the accounting for many convertible instruments with provisions that protect holders from a decline in the stock price. Each reporting period, the Company evaluates whether convertible debt to acquire stock of the Company contains provisions that protect holders from declines in the stock price or otherwise could result in modification of the conversion price under the respective convertible debt agreements. The Company determined that the conversion feature in the convertible notes issued contained such provisions and recorded such instruments as derivative liabilities (see Note 2).

The fair value of derivative instruments is recorded and shown separately under current liabilities. Changes in fair value are recorded in the consolidated statements of operations under other income (expenses).

The accounting treatment of derivative financial instruments requires that the Company record the embedded conversion option and warrants at their fair values as of the inception date of the agreement and at fair value as of each subsequent balance sheet date. Any change in fair value is recorded as a non-operating, non-cash income or expense for each reporting period at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification.

The Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instruments are initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. For stock-based derivative financial instruments, the Company uses the Black-Sholes option pricing model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within twelve months of the balance sheet date.

Net loss per share

Our Company calculates basic earnings per share ("EPS") by dividing our net loss by the weighted average number of common shares outstanding for the period, without considering common stock equivalents. Diluted EPS is computed by dividing net income or net loss and comprehensive net loss applicable to common shareholders by the weighted average number of common shares outstanding for the period and the weighted average number of dilutive common stock equivalents, such as options and warrants. Options and warrants are only included in the calculation of diluted EPS when their effect is dilutive. Total anti- dilutive stock options and warrants excluded from earnings per share totaled 7,640,000 and 4,514,448 at June 30, 2017 and 2016, respectively.

Litigation and franchise agreements

From time to time, we may become involved in litigation and other legal actions, including disagreements with franchisees that may result in the termination of Company granted franchises. We estimate the range of liability related to any pending litigation or franchise agreement rescissions where the amount and range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. Where a liability is probable and there is a range of estimated loss with no best estimate in the range, we record a charge equal to at least the minimum estimated liability for a loss contingency when both of the following conditions are met: (i) information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements and (ii) the range of loss can be reasonably estimated. Estimated legal costs expected to be incurred to resolve legal matters are recorded to the consolidated balance sheet and statements of operations.

Additionally, our Company is subject to certain state reviews of our Franchise Disclosure Documents. Such state reviews could lead to our Company being fined or prohibited from entering into franchising agreements with the reviewing state.

Recent accounting standards

In January 2017, the Financial Accounting Standards Board (the "FASB") issued new guidance for goodwill impairment which requires only a single-step quantitative test to identify and measure impairment and record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. The option to perform a qualitative assessment first for a reporting unit to determine if a quantitative impairment test is necessary does not change under the new guidance. This guidance is effective for the Company beginning in fiscal year 2020 with early adoption permitted. The Company expects to adopt this guidance in fiscal year 2017. The adoption of this guidance will have no impact on the Company's consolidated financial statements.

In November 2016, the FASB issued new guidance addressing diversity in practice that exists in the classification and presentation of changes in restricted cash in the statements of cash flows. This guidance is effective for the Company beginning in fiscal year 2018 with early adoption permitted. The Company expects to adopt this guidance retrospectively beginning in fiscal year 2017. Upon adoption, restricted cash will be combined with cash and cash equivalents when reconciling the beginning and end of period balances in the consolidated statements of cash flows, and the current presentation of changes in restricted cash within operating and financing activities will be eliminated. The adoption of this guidance will have no impact on the Company's consolidated financial statements.

In March 2016, the Financial Accounting Standards Board (the "FASB") issued new guidance for employee share-based compensation which simplifies several aspects of accounting for share-based payment transactions, including excess tax benefits, forfeiture estimates, statutory tax withholding requirements, and classification in the statements of cash flows. This guidance is effective for the Company in fiscal year 2017. Under the new guidance any future excess tax benefits or deficiencies are recorded to the provision for income taxes in the consolidated statements of operations, instead of additional paid-in capital in the consolidated balance sheets. During fiscal years ended 2017 and 2016, no excess tax benefits were recorded to additional paid-in capital that would have been recorded as a reduction to the provision for income taxes.

In February 2016, the FASB issued new guidance for lease accounting, which replaces existing lease accounting guidance. The new guidance aims to increase transparency and comparability among organizations by requiring lessees to recognize lease assets and lease liabilities on the balance sheet and requiring disclosure of key information about leasing arrangements. This guidance is effective for the Company in fiscal year 2019 with early adoption permitted, and modified retrospective application is required. The Company expects to adopt this new guidance in fiscal year 2019 and is currently evaluating the impact the adoption of this new guidance will have on the Company's consolidated financial statements and related disclosures. The Company expects that substantially all of its operating lease commitments (see note 9) will be subject to the new guidance and will be recognized as operating lease liabilities and right-of-use assets upon adoption.

In May 2014, the FASB issued new guidance for revenue recognition related to contracts with customers, except for contracts within the scope of other standards, which supersedes nearly all existing revenue recognition guidance. The new guidance provides a single framework in which revenue is required to be recognized to depict the transfer of goods or services to customers in amounts that reflect the consideration to which a company expects to be entitled in exchange for those goods or services. The new guidance is effective for the Company in fiscal year 2018 with early adoption permitted in fiscal year 2017. The Company expects to adopt this new guidance in fiscal year 2018 using the full retrospective transition method, which will result in restating each prior reporting period presented in the year of adoption. The Company expects the adoption of the new guidance to change the timing of recognition of initial franchise fees. Currently, these fees are recognized when a machine is installed or when a renewal agreement becomes effective. The new guidance will generally require these fees to be recognized over the term of the related franchise license for the respective machines, which we expect will result in a material impact to revenue recognized for franchise fees and renewal fees. The Company does not expect this new guidance to materially impact the recognition of royalty income, or sales of frozen yogurt and other products. The Company is continuing to evaluate the impact the adoption of this new guidance will have on these and other revenue transactions.

Subsequent events

Subsequent events have been evaluated up through the date that these consolidated financial statements were filed.

Franchise information

Our franchise agreements generally require an initial non-refundable fee per machine of $1,000 to $5,000. New franchisees are generally required to purchase a minimum of ten vending machines or micro markets or three frozen yogurt robots. Initial franchise fees are primarily intended to compensate our Company for granting the right to use our Company's trademark and tradenames and patents and to offset the costs of finding locations for vending machines, developing training programs and the operating manual. The term of the initial franchise agreement is generally five to ten years. Options to renew the franchise for one or five year terms are available for an additional fee.

Franchise agreements generally also provide for continuing royalty fees that are based on monthly gross revenues of each machine. The royalty fee (generally 6% - 12% of gross revenues) compensates our Company for various advisory services and certain merchant fees that we provide to the franchisee on an on-going basis.

We recorded net agency revenues for the sales of food and beverages in the accompanying statements of operations of $88,826 and $93,933 for the years ended June 30, 2017 and 2016, respectively.

United States franchise statistics for the years ended June 30, 2017 and 2016 are as follows:

FHV franchises in operation as of June 30, 2015	210
New franchises granted	66
Franchises cancelled	(26)
FHV Franchises in operation as of June 30, 2016	250
New franchises granted	-
Franchises cancelled	(22)
FHV franchises in operation as of June 30, 2017	228
Reis and Irvy's franches in operation as of June 30, 2015	0
New franchises granted	28
Franchises cancelled	0
Reis and Irvy's franches in operation as of June 30, 2016	28
New franchises granted	161
Franchises cancelled	-10
	179

We operated 3 and 0 frozen yogurt robots, vending machines and micro markets for our own benefit as of June 30, 2017 and 2016, respectively.

3. Related party transactions

On October 27, 2015, the Company obtained secured loans in the aggregate amount of $500,000 from Socially Responsible Brands, Inc. The Company's Chairman, Nicholas Yates, is a 20% owner of Socially Responsible Brands, Inc.

The Company issued two Secured Promissory Notes and a related Security Agreement, each dated October 27, 2015 (the "Notes" and "Security Agreement"). Certain current lien holders of the Company also executed and delivered a Subordination Agreement in connection with the issuance of the Notes and Security Agreement (the "Subordination Agreement", and together with the Notes and Security Agreement, the "Transaction Documents").

The Notes are each in the principal amount of $250,000, and have terms of eighteen months and one year, respectively. The first Note is secured by the Company's fifty (50) corporate-owned micro-markets and the Note principal and interest is repaid according to a schedule based on sale of such micro-markets. The second Note is secured by the Company's franchise royalties and principal and interest is repaid on a schedule based on receipt of combo machine sales, with guaranteed payments of at least $75,000 per quarter during the term of the Note. During the year ended 2016, the Company paid $87,604 and $69,568 of principal and interest, respectively, under the Notes. During the year ended 2017, the Company paid $115,617 and $34,383 of principal and interest, respectively, under the Notes.

On January 20, 2017, Socially Responsible Brands agreed to extend the maturity date on their notes until December 31, 2017. In connection with the loan extension, the holder may convert their Notes into shares of the Company's stock at $.16 per share. Furthermore, on September 18, 2017, the Notes were amended whereby the interest rate was modified to a rate of 20% per annum effective October 1, 2016.

On January 13, 2015, the Company's Chairman, Nicholas Yates, agreed to loan the Company up to $200,000 (the "Loan"), each incremental borrowing under the Loan to be evidenced by a promissory note. Mr. Yates further agreed to loan the Company up to $550,000. Amounts borrowed under the Loan bear interest at 10% per annum and are due on December 31, 2016. The Loan also provides for conversion to common stock, at the option of the holder, at a price equal to the Company's next round of funding. In connection with the beneficial conversion option, the Company has recorded $300,000 as a discount on the Loan and charged $193,766 and $106,234, to operations during the years ended June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, $353,187 and $521,700, respectively were outstanding under the Loan.

On January 20, 2017, Mr. Yates agreed to extend his loans until December 31, 2017. In exchange for extending the loans, Mr. Yates was granted an option to convert the loan to common stock at $.16 per share.

On January 20, 2017, the Company executed a loan agreement with Nine Dragons Investments ("Nine Dragons") for borrowings in an amount not to exceed $300,000. Nine Dragons is an entity affiliated with our Chairman Nick Yates. In connection with the loan agreement, the Company borrowed proceeds aggregating $209,931. The loans bear interest at 10% per annum, are due on December 31, 2017 and are secured by certain assets of the Company, including its intellectual property. Furthermore, the loans are convertible at the option of the holder at $.16 per share. During the year ended June 30, 2017, $209,931 of the Nine Dragons loans were redeemed for cash.

4. Concentrations

Our vending machines and micro markets are supplied by a single manufacturer. Although there are a limited number of manufacturers of vending machines and micro markets, we believe that other suppliers could provide similar machines on comparable terms. A change in suppliers, however, could cause a delay in deliveries and a possible loss of sales, which could adversely affect our operating results. Additionally, our frozen yogurt robots will be manufactured by one supplier; a change in suppliers could cause a delay in deliveries and possible loss of sales, which could adversely affect our operating results.

Our vending food products are primarily supplied by one national distributor. Although there are a limited number of product suppliers with the product selection and distribution capabilities required by our franchise network, we believe that other distributors could provide similar products on comparable terms. The Company, and its franchisees, also use supplemental suppliers for their product selections, in addition to the national distributor. A change in suppliers, however, could cause a delay in deliveries and a possible loss of revenue from both current and prospective franchisees, which could adversely affect our operating results.

5. Contingencies

In June 2014, we received an inquiry from the California Department of Business Oversight ("DBO") related to the sale of 15 franchises that occurred between March 2014 and May 2014. On November 7, 2014, the DBO issued a Stop Order and Citation ("Stop Order"), which prohibits us from selling franchises in the state of California until November 7, 2016. The DBO found that we engaged in offers and sales of franchises in California without registration with respect to the three franchise sales we made in August and September 2012, that the sale of 15 franchises that occurred outside the state of California between March 2014 and May 2014 were made pursuant to a franchise disclosure document that contained omissions of material facts by failing to disclose the DBO's prior stop order and the statement of charges and notice of intent to enter an order to cease and desist issued by the State of Washington, and that our prior management failed to exercise due diligence with regard to our registration and disclosure obligations and exposed prospective franchisees to unreasonable risk. The DBO also denied our registration application filed in California on October 3, 2013, imposed administrative penalties against us of $37,500, required us to pay attorneys' fees of $18,200 and required us to again offer rescission and restitution to the 15 franchisees who purchased franchises between March 2014 and May 2014. Nine of the 15 franchisees accepted our offer of rescission and six either denied rescission or failed to respond, and therefore lost their right of rescission due to the elapsed time as stipulated by the DBO. The total rescission payments, aggregating $934,500, were completed by July 2015. As required by the Stop Order, we developed and implemented a compliance program and engaged an independent monitor for the duration of the Stop Order to review and report to the DBO our compliance activities, including compliance with the Stop Order. The independent monitor has issued his final compliance report, and the Stop Order has ended.

Periodically, we are contacted by other state franchise regulatory authorities and in some cases have been required to respond to inquiries, or make changes to our franchise disclosure documents or franchise offer and sale practices. Management believes these communications from state regulators and corresponding changes in our franchise disclosure documents and practices are administrative in nature and do not indicate the presence of a loss or probable potential loss.

On May 28, 2014, Slender Vender, LLC, and John Coffin, a former FHV franchisee and its owner ("Plaintiffs"), filed a complaint against FHV and certain of its current and former officers ("Defendants") alleging violations of the California Franchise Investment Law, fraud, breach of contract, unfair competition, false advertising and violations of the California Labor Code in connection with the sale and purchase of Plaintiffs' franchises. The complaint sought rescission of the franchise agreement, restitution, unpaid wages, and damages, including compensatory and punitive damages.

On February 6, 2015, the California Labor Code violations were dismissed without leave to amend. In addition, Defendant London was dismissed from the action that same day. Defendants Truong, Rogers, and Ball were later dismissed from the action during trial. On February 20, 2015, Plaintiffs filed a first amended complaint against the remaining defendants alleging causes of action for rescission, fraud, breach of contract, unfair competition, and false advertising.

On September 23, 2016, a jury trial commenced in the action, and the jury found in favor of Plaintiffs. The jury returned a total compensatory damages verdict of $535,091 against all Defendants, and further returned a punitive damages verdict of $140,000 against Yates and $14,000 against Kennedy. The compensatory damages award was later reduced to $295,091 following post-trial motions and stipulation. In addition, following the jury trial, the court awarded Plaintiff attorneys fees of $565,386 against FHV and costs of $29,682 against FHV, Kennedy, Yates, Trotter, and Backer. Judgment was entered on February 21, 2017.

On March 22, 2017, Defendants filed a notice of appeal, and on March 30, 2017, Plaintiff filed a notice of cross-appeal. On June 21, 2017, the parties reached a global settlement.

Despite an initial award of $1.1million, under the terms of the confidential settlement Plaintiff agreed to cause the judgment to be set aside, to withdraw all claims for wage garnishments against any of the Defendants, and to cause the removal of all recorded abstracts of judgment and the removal of any financing statements. The parties agreed to dismiss their appeals and to grant one another full mutual general releases. In exchange, Defendants agreed to pay Plaintiff $500,000, over a 25 month period, as well as a guarantee of $200,000 of securities valued at $1 per share. GNFB has guaranteed the settlement.

On June 11, 2014, Seaga Manufacturing, the Company's supplier of automatic merchandising equipment, filed a lawsuit in Illinois state court alleging one count of breach of contract claiming that the Company failed to make payments and to meet the yearly minimum volume of purchases. On August 14, 2014, the Company filed its answer, affirmative defenses, and counterclaims against Seaga. The counterclaims included claims for breach of contract, breach of express warranty, breach of implied warranties of merchantability and fitness for particular purpose, and indemnification. On May 1, 2015, the court granted Seaga's motion to dismiss the Company's implied warranty claims. On January 9, 2015, Seaga filed a third-party complaint against the manufacturer of the automatic merchandising equipment, Saeco Vending S.P.A., and on August 26, 2015, the court dismissed the third-party complaint. The Company intends to vigorously contest these allegations in court. On May 3, 2016, the parties entered into a stipulation to settle the matter. Neither side admitted wrongdoing or liability, and neither party paid compensation to the other. The court dismissed the action with prejudice on May 5, 2016.

The Company is also subject to normal and routine litigation and other legal actions by current or former franchisees, employees, and vendors. We assess contingencies to determine the degree of probability and range of possible loss for potential accrual in its financial statements. An estimated loss contingency is accrued in the financial statements if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because litigation is inherently unpredictable and unfavorable resolutions could occur, assessing contingencies is highly subjective and requires judgments about future events. The Company regularly reviews contingencies to determine the adequacy of the accruals and related disclosures. The amount of ultimate loss may differ from these estimates. Although we currently believe that the ultimate outcome of these matters will not have a material adverse effect on the results of operations, liquidity or financial position of the Company, it is possible they could be materially affected in any particular future reporting period by the unfavorable resolution of one or more of these matters or contingencies.

6. Notes payable

Convertible notes payable

Beginning April 2013 through June 19, 2013, we issued convertible notes payable to three entities or individuals in exchange for cash proceeds totaling $249,999. The notes were unsecured and bore interest at 12% per annum. The notes bore maturity dates ranging from June 30, 2013 to August 31, 2013, the earlier of their being outstanding for 60 days, or upon the transfer of 25% or more of our Company's share ownership or upon our merger with a public company (all as defined in the note agreements). Repayment of the notes was personally guaranteed by the beneficial shareholder of FHV Holdings Corp, a California corporation ("FHV CAL"), a director of our Company. On July 19, 2013, $210,000 of the outstanding balance of the notes was tendered in exchange for 552,418 shares of FHV International's common stock, $33,333 was repaid and $9,666 principal remained outstanding. As of June 30, 2017 and 2016, $6,666 of principal remained outstanding under the above notes.

Senior secured promissory notes

On February 25, 2014, we issued Senior Secured Promissory Notes (the "Initial Notes") to three investors in exchange for cash totaling $501,000. The Initial Notes were set to mature on February 24, 2015 and bear simple interest at a rate of 12% paid monthly over the term of the loan. The Initial Notes also provide that our Company can raise up to $1.5 million in proceeds from the issuance of additional notes (the "Additional Notes") which would have the same seniority and security rights. The Initial Notes are secured by substantially all assets of the Company. On September 23, 2014, the holders of the Company's Initial Notes extended the maturity date from February 24, 2015 to March 15, 2016, and on March 15, 2016, the Notes were further extended to September 30, 2016. The notes aggregating $334,000 have been further extended to December 31, 2017 and $167,000 of the notes, plus accrued interest, were converted to common stock at $.16 per share on January 20, 2017. The remaining outstanding notes, aggregating $334,000, have been granted conversion rights at $.16 per share. The modification of the debt terms was not deemed substantive and therefore, was not accounted for as an extinguishment of debt with the recognition of a gain or loss.

Financing and security agreement

On September 23, 2014, the Company entered into a Financing and Security Agreement (the "Financing Agreement") whereby the Company may be able to borrow up to $1.5 million through the issuance of convertible secured debt. The principal terms of the Financing Agreement are as follows:

- The Company may borrow up to $1.5 million in tranches of up to $150,000 each.
- The first tranche of $150,000 was issued at the closing of the transaction and was used to acquire and put into service Company-owned micro markets. An additional amount of $100,000 was issued during the quarter ended December 31, 2014.
- All subsequent tranches shall be in the amount of up to $150,000, shall be due and funded by the lender within seven days of notice, and shall be contingent upon the Company placing an additional 20 micro markets into service.
- The notes payable issued under the terms of the Financing Agreement are due in full 24 months from the funding of each tranche. The Company may, at its discretion, extend the due date for each tranche for an additional 12 months.
- Interest on the borrowings accrues at a rate of 10% per annum, and is payable quarterly. In the event the Company elects to extend the maturity date of a tranche, the interest rate will increase to 12% per annum on that tranche.
- The lender may at its discretion convert any outstanding principal under any of the tranches into shares of the Company's common stock. The conversion price is 85% of the average closing prices for the 15 trading days prior to the notice of conversion, but in no event at a conversion price lower than $1.28 per share.
- On the due date, or the extended due date, the Company may at its discretion convert up to one-half of the outstanding principal into shares of common stock. The conversion price is 85% of the average closing prices for the 15 trading days prior to the due date or extended due date, whichever may be applicable.
- Borrowings are secured by the Company-owned micro markets.

At June 30, 2017, there was $250,000 outstanding under the Financing Agreement, of which $150,000 originally matured on September 23, 2016 and $100,000 originally matured on December 15, 2016. On September 23, 2016, the Company elected to extend the first tranche of $150,000 until September 23, 2017. On January 20, 2017, the Company extended both tranches until December 31, 2017. As part of the extension, the holder was granted conversion rights at $.16 per share. The modification of the debt terms was not deemed substantive and therefore, was not accounted for as an extinguishment of debt with the recognition of a gain or loss.

The lender of the Financing Agreement has informed the Company that he does not intend to lend additional amounts under the Financing Agreement.

Securities purchase agreement

On March 13, 2015, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with Gemini Master Fund, Ltd. (the "Purchaser"), under which the Company issued a Note (the "Note") aggregating $375,000, for a purchase price of $346,500. The Note bears interest at the rate of 12% per annum. The Note matured 90 days from the closing date payable in cash. Under the terms of Purchase Agreement, the Company also issued a warrant (the "Warrant") granting the Purchaser the right to purchase up to 150,000 shares of the Company's common stock at an exercise price of $0.60 per share, subject to adjustments and anti-dilution provisions. The Warrant expires on the seventh anniversary from the issuance date.

If the Company, at any time while this Warrant is outstanding, shall issue shares of Common Stock or securities or rights convertible or exchangeable into shares of common stock at a price per share less than the then current exercise price, then the Warrant exercise price shall be reduced to such lower price per share and the number of Warrant shares issuable hereunder shall be increased such that the aggregate exercise price payable hereunder, after taking into account the decrease in the exercise price, shall be equal to the aggregate exercise price prior to such adjustment.

Subject to an anti-dilution adjustment, the Company issued the Purchaser the right to purchase up to an additional 150,000 shares of the Company's common stock. Concurrent with the Purchaser's right to purchase additional shares of the Company's common stock (up to 300,000 shares), the exercise price of the Warrant was reduced to $.30 per share.

In connection with the issuance of the Note and Warrant, the Company has recorded $95,625 as a discount on the Note and derivative liability; additionally, $28,500 representing the discount on the proceeds of the Note has been recorded as a discount on the Note payable. We calculated the value of the discount using the Black-Scholes option pricing model employing the following assumptions: volatility of common stock – 88%; risk-free interest rate – 0.77%; forfeiture rate – 0%; value per share of common stock - $0.52; strike price - $0.30; term – 7 years.

The Note was repaid on June 10, 2015. On August 19, 2015, the Purchaser converted 300,000 warrants into 101,849 share of common stock utilizing the cashless exercise feature. In connection with the warrant exercise, the Company recorded a derivative loss of $10,808 during fiscal 2016 and charged $106,433 to additional paid-in capital.

Convertible promissory note

On June 10, 2015, the Company issued a $600,000 convertible promissory note (the "Promissory Note") with interest payable at 10% per annum. In connection with the issuance of the Promissory Note, the Company also issued 2,000,000 common stock purchase warrants, with a term of four years, at an exercise price of $.75 per share.

The Promissory Note matures twelve months from issuance, may be extended for an additional three months, and may be converted at any time in whole or in part, at the lesser of:

(i) 25% discount to the next round of financing prior to conversion in excess of $1 million; or

(ii) $.30 per share; or,

(iii) Commencing six months after issuance date, at the investor's sole discretion, at a 20% discount to the lowest trading price ten business days prior to conversion.

In connection with the issuance of the Promissory Note and warrant, the Company has recorded the fair value of the warrant of $78,707 as additional paid-in capital. Furthermore, the Company has recorded a discount on the Promissory Note of $480,100 and a derivative liability of $401,393 due to the lack of explicit limit on the number of shares that may be required to be issued upon future conversion. The discount is amortized as accretion of discount on notes payable over the term of the loan using the effective interest rate method. During the years ended June 30, 2017 and 2016, the Company charged $0 and $120,025, respectively to accretion of discount on notes payable relating to the discount on the Promissory Note. The derivative liability is revalued each period. During the years ended June 30, 2017 and 2016, the Company has recorded a derivative loss of $729,327 and gain of $1,600 respectively. At June 30, 2017 the Company had a derivative liability related to the Promissory Note of $560,006.

We calculated the value of the discount using the Black-Scholes option pricing model employing the following assumptions: volatility of common stock – 76%; risk-free interest rate – 0.28%; forfeiture rate – 0%; value per share of common stock - $0.45; strike price - $0.75; term – 4 years.

The Promissory Note maturity may also be extended for an additional three months. Furthermore, there will be a full ratchet, anti-dilution with respect to the shares of common stock only (no adjustments will be made to the warrants), for any equity or Convertible Debt financing completed or a definitive Term Sheet exercised within twelve months of closing or fifteen months if the Company exercises its one-time extension. The ratchet does not come into effect for any non-convertible debt offering arranged by the Company, its advisors or bankers.

The conversion terms of the Promissory Note were amended pursuant to a first amendment to Promissory Note, dated October 14, 2015. The adjustable pricing mechanism commencing six months after the Promissory Note issuance date at a 20% discount to the lowest trading price 10 business days prior to conversion was removed. The negative covenants set forth in the subscription agreement were also amended pursuant to a first amendment to subscription agreement, dated October 14, 2015. The modification of an embedded conversion feature is separately accounted for as a derivative before the modification, after the modification or both. Since the bifurcated conversion option is accounted for at fair value both before and after the modification, any changes in the fair value of the conversion option would be reflected in earnings. Furthermore, the Promissory Note was extended for an additional six months from the original maturity.

On January 20, 2017, the note was extended through June 30, 2017 and the warrant price was reduced to $.30 per share, provided that the warrants must be exercised for cash. Furthermore, the warrant expiration date was amended to June 20, 2018. The modification of the debt terms was not deemed substantive and therefore, was not accounted for as an extinguishment of debt with the recognition of a gain or loss.

The principal balance of $600,000 plus accrued interest was repaid during the first quarter of Fiscal 2018.

Robofusion note payable

On December 29, 2016, the Company entered into an Asset Purchase Agreement (the "Agreement") with Robofusion, Inc. ("RFI"), whereby the Company acquired the intellectual property assets of RFI, a developer of robotic-kiosk vending technology, primarily frozen yogurt vending kiosks/cubes, using RFI's trademarked name of Reis & Irvy's (the "Acquisition"). Pursuant to the Agreement, the Company provided RFI, and its designees, a cash payment of $440,000. The Company also issued to RFI a three-year, $2 million note and a five-year common stock purchase warrant for 1,520,000 shares with a strike price of $0.50 per share (see Note 10).

Bridge notes payable

On February 28, 2017, the Company executed two short-term bridge notes aggregating $345,000 ($300,000 net of discount). The notes bear interest at 0% per annum and mature on July 28, 2017. In connection with the note issuances, the Company also issued 75,000 shares of the Company's common stock (Note 7). In connection with the stock issuance and original issue discount, the Company has recorded $102,000 as a debt discount. The discount is being amortized over the life of the loan. The loan was repaid during the first quarter of Fiscal 2018.

As of June 30, 2017 and 2016, notes payable consisted of the following:

	2017	2016
Senior Secured Promissory Notes, bearing interest at 12% per annum, payable monthly.	$ 334,000	$ 501,000
$600,000 convertible promissory note, bearing interest at 10% per annum, net of discount on note of $453,793 in 2015.	300,000	600,000
Convertible secured debt, bearing interest at 10% per annum, payable quarterly.	250,000	250,000
$2,000,000 Promissory Note, bearing interest at 3.25% per annum. Principal and interest is due quarterly, over a three year period, net of discount of $169,542.	1,850,858	-
$345,000 promissory note, with 0% interest, payable quarterly. The promissory note matures on July 28, 2017.	302,100	-
Other	6,666	6,666
	3,043,624	1,357,666
Less current maturities	(1,710,291)	(1,357,666)
	$ 1,333,333	$ -
Maturities of notes payable, net of discounts, are as follows:		
June 30, 2018	$ 1,710,291	$ 1,357,666
June 30, 2019	$ 1,333,333	$ -
	$ 3,043,624	$ 1,357,666

7. Stockholders' deficit

On October 1, 2014, Arthur S. Budman was appointed our Chief Executive Officer and Chief Financial Officer. In connection with Mr. Budman's appointment, he was granted 250,000 shares of common stock which vest ratably over a period of one year. Stock-based compensation related to this award is recognized on a straight-line basis over the applicable vesting period and is included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations. During the years ended June 30, 2017 and 2016, the Company charged $0 and $21,562, respectively to compensation expense in the accompanying consolidated statements of operations.

On August 19, 2015, the Purchaser (Note 6) converted 300,000 warrants into 101,849 share of common stock utilizing the cashless exercise feature. In connection with the warrant exercise, the Company recorded a derivative loss of $10,808 and charged $106,433 to additional paid-in capital.

During Fiscal 2017, two franchisees converted refunds aggregating $193,750 into 968,750 shares of common stock at $.20 per common share. The Company recorded a loss on the conversion of $263,338.

During Fiscal 2017, a note holder converted principal of $167,000 plus accrued interest into 1,325,821 shares of common stock at $.20 per share.

In connection with the issuance of bridge notes payable (Note 6), the Company also issued 75,000 common shares to the note holders.

In connection with the Company's private placement, we issued 5,285,000 shares of common stock during the year ended June 30, 2017 for proceeds aggregating $2,642,500. Furthermore, subsequent to June 30, 2017, on various dates through September 22, 2017, we issued an additional 3,306,000 shares of common stock for proceeds aggregating $1,653,000.

During the year ended June 30, 2017, the Company issued 2,300,000 options under the 2013 Equity Incentive Plan (Note 8). In connection with the option issuance, the Company charged $401,878 to operations and additional paid-in capital. Additionally, during the year ended June 30, 2017, 215,000 options (162,245 options on a cashless basis) were exercised.

During the year ended June 30, 2016, the Company issued 1,935,000 options under the 2013 Equity Incentive Plan (Note 8). In connection with the option issuance, the Company charged $285,878 to operations and additional paid-in capital. Additionally, during the year ended June 30, 2016, 100,000 options (60,715 options on a cashless basis) were exercised.

8. Stock-based compensation

On August 14, 2013, our Board of Directors approved the adoption of the 2013 Equity Incentive Plan (the "2013 Plan"). The 2013 Plan was approved by a majority of our shareholders (as determined by shareholdings) on September 4, 2013. The 2013 Plan provides for granting of stock-based awards including: incentive stock options, non-statutory stock options, stock bonuses and rights to acquire restricted stock. The total number of shares of common stock that may be issued pursuant to stock awards under the 2013 Plan were initially not to exceed in the aggregate 2,600,000 shares of the common stock of our Company. On July 13, 2015, the Company increased the total number of shares that may be issued under the 2013 Plan to 4,000,000. Furthermore, in April 2016, the Company further increased the total number of shares that may be issued under the Plan to 6,000,000.

During the years ended June 30, 2017 and 2016, the Company granted stock options under its 2013 Plan. Stock- based compensation related to these awards is recognized on a straight-line basis over the applicable vesting period and is included in operating expense in the accompanying consolidated statement of operations for the years ended June 30, 2017 and 2016. During the years ended June 30, 2017 and 2016, options issued were valued using the Black Scholes method assuming the following:

Expected volatility	133%
Dividend yield	0%
Risk-free interest rate	1.38%
Expected life in years	3.5

The expected volatility was estimated based on the volatility of a set of companies that management believes are comparable to the Company. The risk-free rate was based on the U.S. Treasury note rate over the expected life of the options. The expected life was determined using the simplified method as we have no historical experience. We recorded stock-based compensation expense of $401,878 and $307,440 for the years ended June 30, 2017, and 2016, respectively.

The following table summarizes the stock option activity for the years ended June 30, 2017 and 2016:

	Years ended June 30, 2017 and 2016						
	Options		Weighted Averge Exercise Price	Weighted Average Remaining Contractual Term (years)		Aggregate Intrinsic Value
Outstanding at June 30, 2015	1,134,448	$	0.372	5.38	$	20,420
Granted	1,935,000	$	0.171			
Exercised	(100,000)	$	0.165			
Forfeited	(455,000)	$	0.405			
Outstanding at June 30, 2016	2,514,448	$	0.219	5.84	$	455,115
Granted	2,300,000		0.270			
Exercised	(215,000)		0.210			
Forfeited	(479,374)		0.160			
Outstanding at June 30, 2017	4,120,074	$	0.253	5.67	$	2,397,883
Vested at June 30, 2017	2,321,322	$	0.228	5.26	$	1,467,076
Nonvested at June 30, 2017	1,798,752	$	0.200	1.57	$	1,185,378

At June 30, 2017, the total estimated unrecognized compensation cost related to non-vested stock options totaled $222,192 which is expected to be recognized over a weighted average period of 14 months. The weighted-average grant date fair value of options granted during the year ended June 30, 2017 was $.270 per share.

Stock Options	Share	Weighted Average Grant-Date Fair Value
Nonvested shares at June 30, 2015	898,334	0.48
Granted	1,935,000	0.171
Vested/Issued	(371,667)	0.502
Forfeited	(455,000)	0.405
Nonvested shares at June 30, 2016	2,006,667	$ 0.195
Granted	2,300,000	0.271
Vested/Issued	(2,028,541)	0.091
Forfeited	(479,374)	0.160
Nonvested shares at June 30, 2017	1,798,752	0.201

During the year ended June 30, 2017, warrants to purchase 1,520,000 shares at $.50 per share were granted to Robofusion as part of the asset purchase agreement (Note 10). As of June 30, 2017, there were 3,520,000 warrants outstanding, of which 2,000,000 have an exercise price of $.30 per share and 1,520,000 have an exercise price of $.50 per share. The warrants expire five years from the date of grant.

9. Leases

The Company leases corporate and warehouse facilities (the "Facility Leases") in San Diego aggregating 7,083 square feet. Our corporate offices are located at 9605 Scranton Road, Suite 801, San Diego, California 92121. This Facility Lease commenced in May 2010. The current monthly rental payment, including utilities and operating expenses for the Facility Leases, is approximately $15,922. On August 1, 2015, the Company moved its corporate and warehouse facilities to a single location aggregating 8,654 feet at 2620 Financial Court, Suite 100, San Diego California 92117. The new lease is for a term of 84 months. The current monthly rental payment, net of utilities for the facility, is $15,995. Future minimum lease payments under the Company's Facility Lease is as follows:

2018: $191,492; 2019: $196,928; 2020: $202,554; 2021: $208,377; 2022: $214,403: Thereafter: $17,909 Rent expense totaled $228,714 and $200,944 for the years ended June 30 2017 and 2016, respectively.

10. Intangible intellectual property acquisition

On December 29, 2016, the Company entered into an Asset Purchase Agreement (the "Agreement") with Robofusion, Inc. ("RFI"), whereby the Company acquired the intellectual property assets of RFI, a developer of robotic-kiosk vending technology, primarily frozen yogurt vending kiosks/cubes, using RFI's trademarked name of Reis & Irvy's (the "Acquisition"). Pursuant to the Agreement, the Company provided RFI, and its designees, a cash payment of $440,000. The Company also issued to RFI a three-year, $2 million note and a five-year common stock purchase warrant for 1,520,000 shares with a strike price of $0.50 per share. Furthermore, certain RFI Officers, Directors and Shareholders will be subject to a five-year, non-compete agreement. Also, the Agreement provides for indemnification and set off of up to $1 million, under certain circumstances.

RFI previously granted the Company an exclusive license to market RFI's frozen yogurt vending kiosks/cubes, using RFI's trademarked name of Reis & Irvy's, in the United States and its territories (excluding Puerto Rico) and Canada. The assets acquired pursuant to the Agreement, are substantially all of the assets previously licensed to the Company.

11. Income taxes

The Company uses the asset and liability method of accounting for income taxes, in accordance with ASC 740-10, which requires that the Company recognize deferred tax liabilities for taxable temporary differences and deferred tax assets for deductible temporary differences and operating loss carry-forwards using enacted tax rates in effect in the years the differences are expected to reverse. Deferred income tax benefit or expense is recognized as a result of changes in net deferred tax assets or deferred tax liabilities. A valuation allowance is recorded when it is more likely than not that some or all of any deferred tax assets will not be realized. As of June 30, 2017 and 2016, the Company had a full valuation allowance on its deferred tax assets.

The following table presents the current and deferred income tax provision (benefit) for federal, state and foreign income taxes:

	2017	2016
Current tax provision (benefit):		
Federal	$ -	$ -
State	4,800	4,800
	4,800	4,800
Deferred tax provision (benefit):		
Federal	-	
State	-	
	-	
Total provision for income taxes	$ 4,800	$ 4,800

A reconciliation of income taxes computed by applying the federal statutory income tax rate of 34% to income (loss) before income taxes to the recognized income tax (benefit) provision reported in the accompanying consolidated statements of operations is as follows for the years ended June 30, 2017 and 2016:

	Jun-17	Jun-16
Expected tax at 34%	$ (3,830,044)	$ (1,728,509)
State income tax, net of federal tax	(537,880)	(200,963)
Change in valuation allowance	4,097,830	1,537,285
Non deductible expenses	181,491	175,953
Other	93,403	221,034
Provision (Benefit) for income taxes	$ 4,800	$ 4,800

Significant components of deferred tax assets and liabilities are shown below:

Deferred tax assets (liabilities)	June 30, 2017	June 30, 2016
Net Operating Loss	6,958,598	3,681,820
Accruals	566,470	152,242
Compensation	287,609	180,373
Inventory	19,917	19,917
State Tax	2,176	2,467
Bad Debt Reserve	79,155	63,993
Revenue	229,451	63,932
Contributions	2,083	7,681
Other	18,901	-
Total gross deferred tax assets	8,164,360	4,172,425
Valuation allowance	(8,208,126)	(4,101,075)
Net deferred tax assets	(43,766)	71,350
Total deferred tax liabilities		
Property and Equipment	103,585	(10,120)
Other	(59,819)	(61,230)
	43,766	(71,350)
Totals	-	-

During the years ended June 30, 2017 and 2016, the valuation allowance increased 4,107,051 and $1,428,305, respectively. At June 30, 2017, the Company had federal and state net operatng carryforwards of approximately $17,695,938. The federal and state loss carryforwards begin to expire in 2031 unless previously utilized. Our tax returns for the years 2013 - 2016 are open for examination by the taxing authorities.

Utilization of the NOL carryforwards may be subject to an annual limitation due to ownership change limitations that may have occurred or could occur in the future, as required by Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). These ownership changes may limit the amount of the NOL carry forwards that can be utilized annually to offset future taxable income and tax, respectively. In general, an "ownership change" as defined by Section 382 of the Code results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 5 percentage points of the outstanding stock of a company by certain shareholders.

12. Subsequent events

Subsequent to June 30, 2017, the Company's Board of Directors granted 97,500 options to employees of the Company at exercise prices ranging from $0.88 - $.97 per share.

As a result of our focus on Reis & Irvy's, we will no longer market our vending machines and micro markets to new franchisees. We will however, continue to service and support our current FHV LLC franchisees.

On various dates from July 1, 2017 through September 22, 2017, the company issued an additional 3,306,000 shares of common stock for aggregate proceeds of $1,653,000.

On various dates subsequent to June 30, 2017 through September 22, 2017, the Company redeemed the principal balance on various loans aggregating $623,500.

GUARANTEE OF PERFORMANCE

For value received, **GENERATION NEXT FRANCHISE BRANDS, INC.**, a Nevada corporation located at **2620 Financial Court, Suite 100, San Diego, California 92117** (the "Guarantor"), absolutely and unconditionally guarantees the performance by **REIS & IRVY'S, INC.**, located at **2620 Financial Court, Suite 100, San Diego, California 92117** (the "Franchisor"),of all of the obligations of Franchisor in accordance with the terms and conditions of the franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2018 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees as amended, modified or extended from time to time. This guarantee continues in full force and effect until all obligations of the Franchisor under its franchise registrations, and Franchise Agreements are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged,, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive notice of Franchisor' s default. This guarantee is binding on the Guarantor and its successors and assignees.

~~Q~~ 1st ~~day of~~

GrO

The Guarantor signs this guarantee at San Diego, California on the

~~1oe.r~~, 1st day of October 2018.

~~GUARANTOR:~~ ~~Z.L::: os,INC.~~

~~Name: Arthur Budman~~
~~Title: Chief Executive Officer and~~

~~Chief Financial Officer~~

GUARANTOR:

GENERATION NEXT FRANCHISE BRANDS, INC.

By:

Name: Arthur Budman

Title: Chief Executive Officer and Chief Financial Officer

2018 Guarantee of Performance

EXHIBIT I

FORM OF GENERAL RELEASE

GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE

Reis & Irvy's, Inc. ("we," "us," or "our") and the undersigned franchisee, ___________

____

____

______("you" or "your"), currently are parties to a certain Franchise Agreement (the "Franchise Agreement") dated____________________, 20_. You have asked us to take the following action or to agree to the following request: [insert as appropriate for renewal situation]_______

____

____

____

____

____

_________________. We have the right under the Franchise Agreement to obtain a general release from you (and, if applicable, your owners) as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you (and, if applicable, your owners) give us the release and covenant not to sue provided below in this document. You (and, if applicable, your owners) are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

Consistent with the previous introduction, you, on your own behalf and on behalf of your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, owners, directors, officers, principals, employees, and affiliated entities (collectively, the "Releasing Parties"), hereby forever release and discharge us and our current and former officers, directors, owners, principals, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, the "Released Parties") from any and all claims, damages (known and unknown), demands, causes of action, suits, duties, liabilities, and agreements of any nature and kind (collectively, "Claims") that you and any of the other Releasing Parties now has, ever had, or, but for this document, hereafter would or could have against any of the Released Parties, including without limitation, Claims (1) arising out of or related to the Released Parties' obligations under the Franchise Agreement or (2) otherwise arising from or related to your and the other Releasing Parties' relationship, from the beginning of time to the date of your signature below, with any of the Released Parties. You, on your own behalf and on behalf of the other Releasing Parties, further covenant not to sue any of the Released Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity who is not bound by this paragraph.

We also are entitled to a release and covenant not to sue from your owners. By his, her, or their separate signatures below, your owners likewise grant to us the release and covenant not to sue provided above.

(If the Franchise Business is located in California or if you are a resident of California, the following shall apply):

__Waiver of Statutory Preservation Provisions__. It is your intention, on your own behalf and on behalf of the Releasing Parties, in executing this release that this instrument be and is a general release which shall be effective as a bar to each and every claim, demand, or cause of action released by you or the Releasing Parties. You recognize that you or the Releasing Parties may have some claim, demand, or cause of action against the Released Parties of which you or the Releasing Parties are totally unaware and unsuspecting, which you or the Releasing Parties are giving up by executing this release. It is your intention, on your own behalf and on behalf of the Releasing Parties, in executing this instrument that you will deprive yourself or Releasing Parties of each such claim, demand, or cause of action and prevent Seller or the Releasing Parties from asserting such claim against the Released Parties. In furtherance of this intention, you, on your own behalf and on behalf of the Releasing Parties, expressly waive any rights or benefits conferred by the provisions of Section 1542 of the California Civil Code, which provide as follows:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

This waiver extends to any other statute or common law principle of similar effect in any applicable jurisdiction, including without limitation, California and or any other jurisdiction in which the Releasing Parties reside.

You acknowledge and represents that you have consulted with legal counsel before executing this release and that you understand its meaning, including the effect of Section 1542 of the California Civil Code, and expressly consent that this release shall be given full force and effect according to each and all of its express terms and provisions, including, without limitation, those relating to the release of unknown and unsuspected claims, demands, and causes of action.

(If the franchise business is located in Maryland or if you are a resident of Maryland, the following shall apply):

> Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this release on the date stated on the first page hereof.

REIS & IRVY'S, INC.

Signature:______________________________

Name:_________________________________

Title:__________________________________

Date:__________________________________

FRANCHISEE:

Signature:______________________________

Name:_________________________________

Title:__________________________________

Date:__________________________________

FRANCHISEE OWNER(S):

Signature:______________________________

Name:_________________________________

Date:__________________________________

Signature:______________________________

Name:_________________________________

Date:__________________________________

EXHIBIT J

AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER

AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER

THIS AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER ("Consent") is made by and among REIS & IRVY'S, INC., a Nevada corporation ("Franchisor"); ________________________ ("Seller"); __________________________ ("Seller Guarantor"); and________________________________("Buyer"), effective as of the Effective Date. All terms capitalized in this Consent and not otherwise defined herein shall have the meanings ascribed to them in the Seller Franchise Agreement (defined below) or the Buyer Franchise Agreement (defined below), as the case may be.

Recitals

A. Seller is the franchisee under that certain franchise agreement dated __________________, 20_, as it may have been amended by subsequent addendum or addenda (the "Seller Franchise Agreement"), governing the ownership and operation of a Reis & Irvy's franchise business (the "Franchise Business") located in_________________(the "Territory").

B. Seller Guarantor personally guaranteed all of the obligations under the Seller Franchise Agreement.

C. Seller has notified Franchisor that Seller and Buyer have entered into a purchase and sale agreement dated___________________ (the "Purchase Agreement"), pursuant to which Seller has agreed to sell, and Buyer has agreed to purchase, all of the rights, obligations and assets relating to the Franchise Business (the "Interests") and Buyer has agreed to assume all of Seller's obligations under the location agreements to which Seller is a party.

D. Buyer has also agreed to enter into Franchisor's current form of franchise agreement (the "Buyer Franchise Agreement") (the transfer of Interests under the Purchase Agreement, the assumption by Buyer of Seller's location agreement obligations and Buyer's execution of the Buyer Franchise Agreement, collectively referred to as the "Transfer").

E. Franchisor has agreed not to exercise its right of first refusal as set forth in the Seller Franchise Agreement and has agreed to approve the Transfer of the Franchise Business in accordance with the terms, and subject to the conditions, set forth in this Consent.

Agreement

NOW, THEREFORE, for and in consideration of the foregoing recitals, which are incorporated herein, the mutual covenants contained herein and other valuable consideration, the receipt and sufficiency of which are acknowledged by the parties hereto, the parties agree as follows:

1. **Effective Date**. The "Effective Date" will be the date on which Franchisor signs this Consent acknowledging its consent to the proposed

Transfer, which date shall be consistent with the effective date of the Buyer Franchise Agreement.

2. **Purchase Agreement**. Seller and Buyer represent and warrant that the form of Purchase Agreement provided to Franchisor is the final version of the Purchase Agreement and is the version which has been, or will be, executed by them to effectuate the Transfer. The Purchase Agreement will not be amended, and the terms set forth in the Purchase Agreement will not be changed, except with the prior written consent of Franchisor.

3. **Conditional Consent; Release of Guaranty**. As of the Closing Date, the Seller Franchise Agreement will terminate and operation of the Franchise Business will thereafter be governed by the Buyer Franchise Agreement. Upon termination of the Seller Franchise Agreement, neither Seller nor Seller Guarantor shall have any further rights or obligations thereunder, except that neither Seller nor Seller Guarantor shall be released from (i) any obligations to pay money owed to Franchisor under the Seller Franchise Agreement or the guaranty prior to the date of this Consent or as set forth herein; or (ii) the provisions of the Seller Franchise Agreement that, either expressly or by their nature, survive termination of the Seller Franchise Agreement (including, without limitation, the provisions related to confidential information, post-termination restrictive covenants, indemnification, notice, governing law, jurisdiction and venue, and dispute resolution). Notwithstanding anything in this Consent to the contrary, the consent and release set forth herein are expressly contingent upon compliance with the following terms and conditions on or before the date of the closing of the Transfer ("Closing Date"):

a. Franchise Agreement. The Seller Franchise Agreement will terminate as of the Closing Date in accordance with the terms set forth in Section 7 below, and the operation of the Franchise Business will thereafter be governed by the Buyer Franchise Agreement.

b. Payment of Amounts Due. Seller will pay all amounts due and owing from Seller (or an affiliate of Seller) to Franchisor through the Closing Date, including but not limited to, all past due royalty and advertising fees.

c. Transfer Fee. Upon execution of this Consent by Seller and Buyer, a transfer fee in the amount of $__________ ("Transfer Fee") shall be paid to Franchisor via cashier's check or wire transfer. Seller and Buyer acknowledge and agree that Franchisor has earned the Transfer Fee upon receipt thereof and that the Transfer Fee is not refundable.

d. Training. Buyer and/or Buyer's designated representative(s) shall have completed Franchisor's initial training program (as defined and described in the Buyer Franchise Agreement) to Franchisor's satisfaction prior to the Closing Date.

e. Right to Service Locations. Buyer will provide satisfactory evidence to Franchisor that Buyer has the right to service the Locations by way of agreements assigning the location agreements to Buyer or otherwise as more fully described in Section 6 below.

f. Purchase Agreement. The Purchase Agreement will not be amended and the terms of the purchase transaction will not be changed except with the prior written consent of Franchisor.

g. Seller Financing. Regardless of any provision of the Purchase Agreement (or any other agreement) to the contrary, if Seller provides financing to Buyer for any portion of the purchase price for the Franchise Business and such financing is secured by any assets of the Franchise Business, Seller acknowledges and agrees that Seller does not and will not have any interests or rights, revisionary or otherwise, to operate the Franchise Business after the Closing Date pursuant to the Seller Franchise Agreement or Buyer Franchise Agreement.

4. **Waiver of Right of First Refusal**. Franchisor hereby waives its right of first refusal to purchase the Interests, as set forth in the Seller Franchise Agreement.

5. **Contingency**. This Consent and the Buyer Franchise Agreement may be terminated if:

a. The Transfer between Seller and Buyer is cancelled, or otherwise not approved by Franchisor;

b. Seller and/or Buyer fail to meet any of the conditions and/or requirements set forth in this Consent, the Seller Franchise Agreement, and/or the Buyer Franchise Agreement; or

c. Seller and Buyer fail to change possession and/or ownership of the Franchise Business within ninety (90) days following receipt of Franchisor's written consent and authorization (as set forth above).

6. **Assignment/Assumption of Locations**. Seller and Buyer acknowledge that one of the requirements of Franchisor's consent is that the location agreements related to the Franchise Business be assigned to and/or otherwise assumed by Buyer and that such assignment and/or assumption may require the consent of the location owner. Buyer acknowledges and agrees that Franchisor's approval of the locations related to the Franchise Business do not constitute a recommendation, endorsement, or guarantee by Franchisor of the suitability of the locations, and Buyer acknowledges that it has taken all steps necessary to ascertain whether the locations related to the Franchise Business are acceptable to Buyer.

7. **Termination of Seller Franchise Agreement and Guaranties**. Franchisor and Seller acknowledge and agree that, as of the Closing Date and upon the Transfer and compliance with the conditions set forth in Section 3 above, the Seller Franchise Agreement and the associated guaranties (if any) will automatically terminate and neither Seller nor Seller Guarantor shall have any further rights or obligations thereunder except that neither Seller nor Seller Guarantor shall be released from:

   a. any obligations to pay money to Franchisor owed under the Seller Franchise Agreement, the guaranty, or otherwise prior to the Closing Date; or

   b. the provisions of the Seller Franchise Agreement that, either expressly or by their nature, survive termination of the Seller Franchise Agreement, (including, without limitation, the provisions related to confidential information, post-termination restrictive covenants, indemnification, notice, governing law, jurisdiction and venue, and dispute resolution).

8. **Release of Franchisor**. Seller, Seller Guarantor, and Buyer, and each of them, on behalf of themselves and each of their respective current and former owners, agents, principals, officers, directors, shareholders, members, partners, employees, representatives, attorneys, spouses, parent companies, predecessors, affiliates, subsidiaries, successors and assigns (the "Releasing Parties"), hereby fully and forever unconditionally release and discharge Franchisor and its current and former owners, agents, principals, officers, directors, shareholders, members, partners, employees, representatives, attorneys, franchisees, parent companies, predecessors, affiliates, subsidiaries, successors, and assigns (the "Franchisor Parties"), from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises and expenses of every kind and nature whatsoever, at law or in equity whether known or unknown, foreseen and unforeseen, liquidated or unliquidated (collectively, the "Claims"), which any member of the Releasing Parties had, has or may have against any member of the Franchisor Parties, including, without limitation, Claims involving any and all matters arising

from, in connection with or in any way related or pertaining, directly or indirectly, to the Seller Franchise Agreement, the relationship created by the Seller Franchise Agreement, or the development, ownership or operation of the Franchise Business.

(If the Franchise Business is located in California or if Seller, Seller Guarantor, or Buyer is a resident of California, the following shall apply):

Waiver of Statutory Preservation Provisions. It is Seller's, Seller Guarantor's, and Buyer's intention, on their own behalf and on behalf of the Releasing Parties, in executing this release that this instrument be and is a general release which shall be effective as a bar to each and every claim, demand, or cause of action released by Seller, Seller Guarantor, Buyer, or the Releasing Parties. Seller, Seller Guarantor, and Buyer recognize that they or the Releasing Parties may have some claim, demand, or cause of action against the Released Parties of which they or the Releasing Parties is totally unaware and unsuspecting, which they or the Releasing Parties is giving up by executing this release. It is Seller's, Seller Guarantor's, and Buyer's intention, on their own behalf and on behalf of the Releasing Parties, in executing this instrument that it will deprive them or the Releasing Parties of each such claim, demand, or cause of action and prevent them or the Releasing Parties from asserting such claim against the Released Parties. In furtherance of this intention, Seller, Seller Guarantor, and Buyer, on their own behalf and on behalf of the Releasing Parties, expressly waives any rights or benefits conferred by the provisions of Section 1542 of the California Civil Code, which provides as follows:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

This waiver extends to any other statute or common law principle of similar effect in any applicable jurisdiction, including without limitation, California and or any other jurisdiction in which the Releasing Parties reside.

Seller, Seller Guarantor, and Buyer acknowledge and represent that they have consulted with legal counsel before executing this release and that they understand its meaning, including the effect of Section 1542 of the California Civil Code, and expressly consent that this release shall be given full force and effect according to each and all of its express terms and provisions, including, without limitation, those relating to the release of unknown and unsuspected claims, demands, and causes of action.

9. **Non-Disparagement**. In consideration of the accommodations provided to Seller, Seller Guarantor, and Buyer, and the concessions made by Franchisor and its affiliates under this Consent, Seller, Seller Guarantor, and Buyer agree not to, and to use their best efforts to cause their respective current and former owners, agents, principals, officers, directors, shareholders, members, partners, employees, representatives, attorneys, spouses, parent companies, predecessors, affiliates, subsidiaries, successors and assigns not to, disparage, impugn or otherwise speak or write negatively, directly or indirectly, of Franchisor or the Franchisor Parties, the Reis & Irvy's brand, the Reis & Irvy's franchise system, or any other service-marked or trademarked concept of Franchisor or the Franchisor Parties, or take any other action which would subject the Reis & Irvy's brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of Franchisor, the Franchisor Parties, or the Reis & Irvy's brand.

10. **Acknowledgment.** Buyer and Seller acknowledge and agree that they have negotiated the Transfer without involvement by Franchisor, that Franchisor has not effected or arranged the Transfer, and that Franchisor's only involvement in the transaction has been for the purpose of exercising its right of consent to the Transfer in accordance with the Seller Franchise Agreement. Buyer and Seller acknowledge that Buyer and Seller have assumed sole and full responsibility for making the final decision to purchase and sell the Interests and each has consulted, or has had the opportunity to consult but, of its own accord, elected not to consult, with its own legal and financial advisors. Buyer further understands that as part of analyzing the purchase of the Interests from Seller, it is Buyer's responsibility to meet with or otherwise gather necessary information from the appropriate parties which may or may not affect Buyer's purchase of the Interests from Seller.

11. **Additional Documents**. Buyer, Seller, and Seller Guarantor agree to execute such additional documents as may be necessary to complete the Transfer as contemplated by the Purchase Agreement, the Seller Franchise Agreement and the Buyer Franchise Agreement.

12. **Miscellaneous Provisions.**

a. Confidentiality. None of Seller, Seller Guarantor, nor Buyer shall provide or disclose to any third party, or use, unless authorized in writing to do so by Franchisor or properly directed or ordered to do so by public authority or court of competent jurisdiction, any information or matter that constitutes or concerns the terms and conditions of this Consent or that regards any of Franchisor's dealings or negotiations with Seller, Seller Guarantor, or Buyer related to this Consent.

b. Governing Law. This Consent will be construed and enforced in accordance with, and governed by, the laws of the state set forth in the Buyer Franchise Agreement.

c. Amendment. This Consent may not be modified or amended or any term hereof waived or discharged except in a writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced.

d. Headings. The headings of this Consent are for convenience and reference only and will not limit or otherwise affect the meaning hereof.

e. Controlling Provisions. In the event of any conflict between the terms of this Consent and the terms of the Seller Franchise Agreement or the Buyer Franchise Agreement, the terms of this Consent shall control.

f. Counterpart Signatures. This Consent may be executed in any number of counterparts and sent via facsimile or other electronic transmission, each of which will be deemed an original but all of which taken together will constitute one and the same instrument.

g. Third-Party Beneficiary. Each of the Franchisor Parties will be deemed to be a third-party beneficiary of this Consent with an independent right to enforce it.

(Signature page follows)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement and Conditional Consent to Transfer as of the Effective Date.

FRANCHISOR:
REIS & IRVY'S, INC.

By:____________________________
Name:__________________________
Title:___________________________
*Date:__________________________

*This is the Effective Date

SELLER:
[SELLER NAME]

By:____________________________
Name:__________________________
Title:___________________________
Date:___________________________

Forwarding Address:_______________
Forwarding Email:______________________
Telephone:___________________________

SELLER GUARANTOR:
[SELLER GUARANTOR NAME]

Signature:_______________________
Date:___________________________

Forwarding Address:_______________
Forwarding Email:______________________
Telephone:___________________________

BUYER:
[BUYER NAME]

By:____________________________
Name:__________________________
Title:___________________________
Date:___________________________

Forwarding Address:_______________
Forwarding Email:______________________
Telephone:___________________________

NEW YORK REPRESENTATIONS PAGE

FRANCHISOR REPRESENTS THAT THIS FRANCHISE DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

EXHIBIT K

RECEIPTS

RECEIPT
(OUR COPY)

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

If Reis & Irvy's, Inc., offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under Iowa law, we must give you this disclosure document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under New York law, we must provide this Disclosure Document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. 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 Reis & Irvy's, Inc., does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agencies listed in Exhibit A.

The Franchisor is Reis & Irvy's, Inc., located at 2620 Financial Court, Suite 100, San Diego, CA 92117.

Issuance date: October 19, 2018 as amended May 3, 2019.

Franchise sellers offering the franchise: Reis & Irvy's, Inc., located at 2620 Financial Court, Suite 100, San Diego, CA 92117. In addition, please identify the individual franchise seller who offered you a Reis & Irvy's franchise in the space provided below:

___	Glenn (TJ) Rogers, Jr.	Reis & Irvy's, Inc.
___	Shaun Hagopian	2620 Financial Court, Suite 100
~~___~~	~~Todd Luger~~	San Diego, CA 92117
___	Andrew Beach	(858) 210-4200
___	________________	
___	________________	

We authorize the respective parties identified on Exhibit A to receive service of process for Reis & Irvy's, Inc., in the particular state.

I received a disclosure document dated October 19, 2018, as amended May 3, 2019 that included the following exhibits:

A	State Administrators and Agents for Service of Process	F	List of Former Franchisees
B	Franchise Agreement	G	Representations and Acknowledgment Statement
C	State Addenda to Disclosure Document and Agreement Rider	H	Financial Statements
D	Table of Contents of Manual	I	Form of General Release
E	List of Current Franchisees	J	Agreement and Conditional Consent to Transfer
		K	Receipt

PROSPECTIVE FRANCHISEE:

If a business entity:

Name of Business Entity

By:

Its:

Signature ____________________________

(Print Name):__________________________

Dated:_______________________________

If an individual:

Signature ____________________________

(Print Name): __________________________

Dated: ______________________________

Please sign this copy of the receipt, print the date on which you received this Disclosure Document, and return it by U.S. Mail to Reis & Irvy's, Inc., 2620 Financial Court, Suite 100, San Diego, California 92117

RECEIPT
(YOUR COPY)

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

If Reis & Irvy's, Inc., offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under Iowa law, we must give you this disclosure document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under New York law, we must provide this Disclosure Document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. 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 Reis & Irvy's, Inc., does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agencies listed in Exhibit A.

The Franchisor is Reis & Irvy's, Inc., located at 2620 Financial Court, Suite 100, San Diego, CA 92117.

Issuance date: October 19, 2018 as amended May 3, 2019.

Franchise sellers offering the franchise: Reis & Irvy's, Inc., located at 2620 Financial Court, Suite 100, San Diego, CA 92117. In addition, please identify the individual franchise seller who offered you a Reis & Irvy's franchise in the space provided below:

___	Glenn (TJ) Rogers, Jr.	Reis & Irvy's, Inc.
___	Shaun Hagopian	2620 Financial Court, Suite 100
___	~~Todd Luger~~	San Diego, CA 92117
___	Andrew Beach	(858) 210-4200
___	________________	
___	________________	

We authorize the respective parties identified on Exhibit A to receive service of process for Reis & Irvy's, Inc., in the particular state.

I received a disclosure document dated October 19, 2018, as amended May 3, 2019 that included the following exhibits:

A	State Administrators and Agents for Service of Process	F	List of Former Franchisees
B	Franchise Agreement	G	Representations and Acknowledgment Statement
C	State Addenda to Disclosure Document and Agreement Rider	H	Financial Statements
D	Table of Contents of Manual	I	Form of General Release
E	List of Current Franchisees	J	Agreement and Conditional Consent to Transfer
		K	Receipt

PROSPECTIVE FRANCHISEE:

If a business entity:

Name of Business Entity

By:

Its:

Signature ________________________

(Print Name): ________________________

Dated: ________________________

If an individual:

Signature ________________________

(Print Name): ________________________

Dated: ________________________

KEEP THIS COPY FOR YOUR RECORDS